Banks and Currency.
Gallatin. 1830.

American Quarterly Review. Dec. 1830

poorest in fortune, or the humblest in calling, engaged or rejoiced in the ferment and strife of revolution, from other than public considerations. The last thoughts and sentences of Mirabeau were those of personal vanity;—he was occupied with the idea, not of the national weal, but of the contest which he would have waged with Pitt as a rival statesman: Napoleon died with the dream of battle on his lips—old John Adams, exclaiming, *Independence for ever!*

Art. IX.—BANKS AND CURRENCY. Gallatin

1.—*Report of the Committee of Finance of the Senate of the United States, to which was referred a resolution of the 30th of December,* 1829, *directing the Committee to inquire into the expediency of establishing an uniform National Currency for the United States; made by* Mr. Smith, *of Maryland, on the 29th of March,* 1830. 8vo.

2.—*Report of the Committee of Ways and Means of the House of Representatives of the United States, to which was referred so much of the President's Message as relates to the Bank of the United States; made by* Mr. M'Duffie, *of South Carolina, on the 13th of April,* 1830. pp. 31. 8vo.

3.—*Report from the Secretary of the Treasury, in compliance with a resolution of the Senate, of the 29th of December,* 1829, *respecting the relative value of gold and silver, &c.; dated May 4th,* 1830. pp. 118. 8vo.

The framers of the Constitution of the United States were deeply impressed with the still fresh recollection of the baneful effects of a paper money currency, on the property and moral feeling of the community. It was accordingly provided by our National Charter, that no state should coin money, emit bills of credit, make any thing but *gold and silver coin* a tender in payment of debts, or pass any law impairing the obligation of contracts; and the power to coin money and to regulate the value thereof, and of foreign coin, was, by the same instrument, vested exclusively in Congress. As this body has no authority to make any thing whatever a tender in payment of private debts, it necessarily follows, that nothing but gold and silver coin can be made a legal tender for that purpose, and that Congress cannot authorize the payment, in any species of paper currency, of any other debts but those due to the United States, or such debts of the United States as may, by special contract, be made payable in such paper. All the engagements previously contracted

at home, by the United States, were expressed in Spanish dollars; all the moneys of account of the several states, were estimated and payable in that coin; there might be some uncertainty as to the precise weight of pure silver which it contained; and the assays made at the time, may not, for want of proper means, have had all the accuracy of which that process is susceptible. But they were made in good faith; and the Act of Congress of the year 1791, which declared that the dollar of the United States should contain 371¼ grains of pure silver, has irrevocably fixed that quantity as the equivalent of a dollar of account, and as the permanent standard of value, according to which all contracts must be performed. The relative value of gold and foreign coins to that standard, may from time to time be varied, provided that neither shall be so overrated, as to authorize the payment of a debt with an amount in such coin of a less actual value, than that of the silver to which it may be made to correspond.

The provisions of the Constitution were universally considered as affording a complete security against the danger of paper money. The introduction of the banking system, met with a strenuous opposition on various grounds; but it was not apprehended that bank notes, convertible at will into specie, and which no person could be legally compelled to take in payment, would degenerate into pure paper money, no longer paid at sight in specie. At a later date, although occasional bankruptcies had taken place, and might again be anticipated, there was no apprehension of a general failure of the banks in three-fourths of the states. Still less was it expected, and it was the catastrophe of the year 1814 which first disclosed not only the insecurity of the American banking system, as then existing, but also, that when a paper currency, driving away, and superseding the use of gold and silver, has insinuated itself through every channel of circulation, and become the only medium of exchange, every individual finds himself, in fact, compelled to receive such currency, even when depreciated more than twenty per cent., in the same manner as if it had been made a legal tender. The establishment of the Bank of the United States was recommended by the Treasury, and that Institution was incorporated by Congress, for the express and avowed purpose of removing an evil, which the difference in the rate of depreciation, between the paper currencies of the several states, and even those of different places in the same state, had rendered altogether intolerable. The object in view has been obtained. The resumption of specie payments, which the state banks had been unwilling or unable to effect, took place immediately after that of the United States had commenced its operations. And it has, for a number of years, supplied the country with a currency safer, and, it must

at least be allowed, more uniform, than that which the state banks could furnish. The question, whether the charter, which expires in a few years, should be renewed, has been brought by the President before Congress, with a suggestion that a national bank, founded upon the credit and revenues of the government, might be advantageously substituted, to that now in existence. Reports favourable to the continuance of the present bank, have been made by committees of both houses of Congress. Another report, on the relative value of gold and silver, and intimately connected with the subject of currency, has also been made by the Secretary of the Treasury to the Senate. Availing ourselves of the information afforded by those documents, and particularly of the arguments adduced in Mr. M'Duffie's able report, we intend to examine this important question, principally in reference to the currency of the country, considered as the common standard, by which the value of all the other commodities is estimated, and every contract is performed.

Whatever commodity or species of paper may, by law or general consent, be universally received in any country, in exchange of every other commodity, and in payment of all debts, is the circulating medium or currency of such country, or in other words, its common standard of the value of all commodities whatever, and that which regulates the performance of all contracts not specially excepted. It is therefore of primary importance, that the commodity or substitute, which may be selected for that purpose, should be of a value as permanent as practicable, and the same in every part of the same country; and it is also highly desirable, that the same circulating medium should be common to all countries connected by commerce. Gold and silver are the only substances, which have been, and continue to be, the universal currency of civilized nations. It is not necessary to enumerate the well-known properties which rendered them best fitted for a general medium of exchange. They were used, not only as ornaments and objects of luxury, but also for that particular purpose, from the earliest times. We learn from the most ancient and authentic of records, that Abraham was rich in cattle, in silver, and in gold; that he purchased a field *for as much money as it is worth*, and in payment weighed four hundred shekels of silver, *current* (money) *with the merchant*. And when we see that nations, differing in language, religion, habits, and on almost every subject susceptible of doubt, have, during a period of near four thousand years, agreed in one respect; and that gold and silver have, uninterruptedly to this day, continued to be the universal currency of the commercial and civilized world, it may safely be inferred, that they have also been found superior to any other substance in that permanency of value, which is the most necessary attribute

of a circulating medium, in its character of the standard, that regulates the payment of debts, and the performance of contracts.

There is not, however, in nature, any perfect or altogether permanent standard of value. There is not a single commodity, the relative value of which, as compared to that of all other commodities, is not subject to great and permanent changes as well as to temporary fluctuations. But it will be found, that the nature of the demand for precious metals, the comparative regularity of the supply, and especially their much greater durability and intrinsic value, than those of any other substance otherwise fitted for a circulating medium, restrain the fluctuations to which the relative value of gold and silver are liable, within far narrower limits, than is the case with any other commodity which might have been selected for a currency. It is well known that the discovery of America was followed by a great and permanent change in the price of the precious metals, which reduced it to one fourth of their previous relative value as compared to all other commodities. This great revolution was due to a simultaneous vast increase of the supply and corresponding reduction in the cost of production of the metals. The American mines of silver do not lie nearer the surface of the earth than those of other countries; the ore rarely yields more silver than one-fourth per cent. of its weight; nor was there at the time any improvement adopted that tended materially to lessen the expense of extracting the silver from the ore. The superiority of the silver mines of America, appears to consist, principally, in the magnitude of the beds of ore, whereby a much greater quantity is dug out from the bowels of the earth with the same labour. The annual labour of one miner at the mine of Valenciana, the most fertile of Mexico, was sufficient, in 1803, to extract from the bowels of the earth, four hundred quintals of ore, which produced one quintal of silver; and the annual produce of the mine exceeded three millions of dollars in value, (about 220,000 lbs. troy weight); whilst, at the richest mine of Saxony, the annual labour of eleven miners, was necessary to extract the ore sufficient to produce a quintal of silver; and the annual produce was less than ninety thousand dollars, (about 6,200 lbs. troy weight). Although the money price of mining labour appears to be five times greater in Mexico than Saxony, and notwithstanding the want of fuel and other circumstances which increase the current expenses, the cost of production was still much less at the Mexican than at the Saxon mine, and left a considerable rent to the owner. The Saxon mine, though probably as rich as any that was in operation in Europe prior to the discovery of America, could not, on account of the difference in the rate of wages, be worked if situated in Mexico. It follows,

that all the American silver mines are superior to it in fertility, though in that respect differing from each other, and gradually decreasing from that of Valenciana, down to the poorest, which probably affords no rent to the owner.

The American mines, or washings of gold, are in the same manner more fertile, or, with the same labour, produce much greater quantities of pure metal than those of Europe. But the difference must have been less with respect to gold than to silver mines. The relative value of gold to silver was, before the discovery of America, at the ratio of 11 or 12, and is now at that of 15 or 16 to 1. If the depreciation in the value of silver has been at the rate of 4 to 1, that of gold has been only at the rate of about 3 to 1; and this may afford some reason to think, that, of the two metals, gold is probably the most permanent standard of value. It must be observed, that, though wanted for similar purposes, the relative value of gold to silver does not depend on any supposed similarity or connexion between the two metals, but is the result of the respective prime cost of each, which determines the value of each in relation to that of all other commodities.

As the total importation of precious metals from America to Europe had not, prior to the year 1596, exceeded a quantity equal to that contained in eight hundred millions of dollars, and the depreciation was then already at the rate of about 3½ to 1, it is probable that the total amount of gold and silver existing in Europe prior to the discovery of America, though worth then four times as much, did not in quantity exceed that contained in three hundred millions of dollars, money of the present times.

The total amount of gold and silver produced by the mines of America, to the year 1803, inclusively, and remaining there or exported to Europe, has been estimated by Humboldt at about five thousand six hundred millions of dollars; and the product of the years 1804—1830, may be estimated at seven hundred and fifty millions. If to this we add one hundred millions, the nearly ascertained product to this time of the mines of Siberia, about four hundred and fifty millions for the African gold dust, and for the product of the mines of Europe, (which yielded about three millions a year in the beginning of this century,) from the discovery of America to this day, and three hundred millions for the amount existing in Europe prior to the discovery of America, we find a total, not widely differing from the fact, of seven thousand two hundred millions of dollars. It is much more difficult to ascertain the amount which now remains in Europe and America together. The loss by friction and accidents might be estimated, and researches made respecting the total amount which has been exported to countries beyond

the Cape of Good Hope: but that which has been actually consumed in gilding, plated ware, and other manufactures of the same character, cannot be correctly ascertained. From the imperfect data within our reach, it may, we think, be affirmed, that the amount still existing in Europe and America certainly exceeds four thousand, and most probably falls short of five thousand millions of dollars. Of the medium, or four thousand five hundred millions, which we have assumed, it appears that from $\frac{1}{3}$ to $\frac{2}{5}$ is used as currency, and that the residue consists of plate, jewels, and other manufactured articles. It is known, that of the gross amount of seven thousand two hundred millions of dollars, about eighteen millions, or $\frac{1}{4}$th of the whole in value, and $\frac{1}{48}$th in weight, consisted of gold. Of the four thousand five hundred millions, the presumed remaining amount in gold and silver, the proportion of gold is probably greater, on account of the exportation to India and China having been exclusively in silver, and of the greater care in preventing every possible waste in an article so valuable as gold.

In order, therefore, to produce a revolution in the price of gold and silver, such as was caused by that event, mines must be discovered, which, in thirty or forty years, should produce, in addition to the supply required by the increasing demand, thirteen or fourteen thousand millions of dollars, or three times the quantity now existing; and this increased supply must be accompanied with a corresponding reduction in the cost of production. It is obvious, that the discovery of one hundred new mines, even superior in magnitude, and equal in other respects to that of Valenciana, would only cause mines of inferior fertility to be abandoned, and could produce no greater effect on the price of silver, than reducing it to the actual cost of production at the mine of Valenciana. The expense of extracting the silver from ore of a given quality, once brought to the surface of the earth, bears too small a proportion to the whole expense of working a mine, to render it possible that any improvement in that process should cause any great reduction in the price of the metal. It does not appear that such reduction can be effected, otherwise than, either by the discovery of numerous and large beds of ore, much richer in silver than any yet worked, or by a great reduction in the money price of labour in America. Judging from analogy, the first event, at least to a sufficient extent, is altogether improbable; and the last contingency cannot take place but slowly and gradually. On the other hand, the diminution in the annual supply for the last twenty years, having been exclusively caused by the convulsions attending the revolutions of the new American states, is but temporary; and the successive numerous discoveries of new mines, during the seventeenth and eighteenth centuries, render it highly probable, that,

after order and security shall have been restored in those states, a similar progress will take place, and continue, as heretofore, to produce an increasing annual supply, corresponding with the increasing demand. This demand, also, being always proportionate to the wealth and prosperity of the civilized world, can increase but gradually. It is, therefore, highly improbable, that any new revolution should again occur, producing effects in any degree similar to those which followed the discovery of America, or that there should be any other permanent alteration in the price of the precious metals, but such slow and gradual changes as cannot substantially affect the due performance of the great mass of ordinary contracts. Before we examine the temporary fluctuations in value, to which both gold and silver are liable, it is necessary to inquire into the nature of the demand for those metals.

Mines being, like tillable land, private property, and of different fertility, the rent of either, as well as the intrinsic value of their respective produce, are regulated by analogous laws. But there is an essential difference between the demand for corn and that for the precious metals. That for corn, or the ordinary article of food, is for an amount in quantity, without much regard to value. That for gold and silver is for an amount in value and not in quantity. More food is consumed and may be wasted in plentiful years, than in those of scarcity. But there is always a certain quantity of corn, or other usual article of food, determined by population, and which must necessarily be supplied at any price, without any other limits than actual deficiency in the supply, or absolute inability to pay the market price; and in either case a portion of the suffering population must perish. In a country requiring annually at least fifty millions bushels, or any other quantity of corn, for the *necessary* subsistence of its inhabitants, there is a most imperative demand for that amount, or a substitute for it; and this must be satisfied, if the amount can be procured at all, and at any price, provided the country can by any means pay for it. The demand for corn is therefore for a certain quantity regulated by the population, and not for a certain value proportionate to the income, capital, or wealth of the country.

But the demand for gold and silver is, either for plate, jewels, and other manufactured articles, such as plated ware, gilding, &c.; in which those metals are used, or for currency. It is evident, that all, or nearly all those objects of demand being, with the exception of currency, articles of luxury, the effective demand for them, including both the wish to possess and the means to pay, must be proportionate to wealth, and therefore for a certain amount in value and not in quantity. No individual can lay out more than a certain portion of his income or capital in plate

and jewels. If the price of the precious metals is reduced to one fourth of what it previously was, as happened during the latter end of the sixteenth century, he will be able, with the same income, to obtain four times the quantity of plate and gold ornaments which he formerly possessed, because their value remains the same. But the increased cheapness will in a very inconsiderable degree, if at all, have a tendency to increase the amount in value of gold and silver articles which will be used. An individual may be induced by such great reduction in the price of silver, to substitute silver spoons or forks to those made of inferior metal; but so long as silver spoons or forks are dearer than those of any other metal, he cannot, his income remaining the same, indulge his wish without retrenching his expenses in some other respects, and without depriving himself of some other comforts. What is true of every individual in every country, is equally so of the aggregate of individuals, or of every country. The demand for an increased value of plate, jewels, and other articles manufactured, in whole or in part, of gold or silver, with the exception perhaps of a few articles in general use amongst all classes, will every where be nearly in proportion to the wealth of each country respectively. And what is nearly correct, as regards the demand for manufactures of gold and silver, is strictly true as applied to the demand for those metals for currency.

As a silver dollar, or dollar bank note, passing from hand to hand, effects in a given time, a year for instance, a great number of payments, the amount of currency wanted in any country is always much less than the gross amount of payments made in currency within the same time. The amount thus wanted is that which is necessary and sufficient, for the payment of all such purchases of land, labour and product of labour (embracing every species of commodities and capital) as are paid with currency. Its *value* must always, therefore, bear a certain proportion to the aggregate *value* of the land, labour and all objects whatever, thus paid for with currency. That proportion, as well as that which the value of the annual purchases effected with currency may bear to the value of the whole amount of annual exchanges and purchases of the country, whether effected with currency or by any other means, must vary and be difficult to ascertain. But, whatever either of these two ratios may be, the average value of the various objects purchased, which are paid for in currency within a given time, a year for instance, will always require a certain proportionate value of currency. The average value of the objects, thus annually paid for, determines the total average amount in value of currency which is requisite, and in the case before us, the average value of precious metals which is wanted

for currency, and for which there is an actual demand for that purpose.

Let it be supposed that the amount of currency wanted in a country, is one-tenth part of the whole amount of the annual payments made there in currency; and that the currency consisting exclusively of silver, there are annually in that country one million of bushels of wheat sold and paid for in currency. It is clear, that if the relative value of silver to wheat be such in such country, that one ounce of silver is the equivalent and common price of a bushel of wheat, one hundred thousand ounces of silver will be necessary and sufficient to effect the payment of all the wheat annually sold and paid for in currency. If on account of a reduction in the cost of its production, or from any other cause, the value of silver, as compared to that of all other commodities, should be reduced to one half of what it previously was, and the value of wheat, as compared with that of all other commodities, silver excepted, remaining the same as before, two hundred thousand ounces of silver would be necessary to effect the payment of the one million of bushels of wheat sold for currency during the year. But although the quantity of silver (or nominal amount of currency) wanted, was twice as great as before, the value would remain precisely the same, two hundred thousand having become worth no more than one hundred thousand ounces had previously been. If, instead of this, the value of silver had undergone no change, and either the quantity of wheat, annually sold and paid for in currency, had increased to two millions of bushels, its price remaining the same, or if, the quantity thus sold remaining the same, the value of wheat as compared to all other commodities had doubled, the two hundred thousand ounces of silver, which would also be then wanted to effect the payments of the sales of wheat, being actually worth twice as much as the one hundred thousand ounces had been, the *value* of currency wanted would be twice as great as theretofore.

What is true of the proportionate value of the currency, wanted to effect the payment of the quantity of wheat annually paid for in currency, to the value of that wheat, is equally true of the proportionate value of the currency, wanted to effect the payment of the whole amount of land, labour, and products of labour, annually paid for in currency, to the aggregate value of all those objects. Although the proportion may vary, according to the rapidity of the circulation, and to the means used in order to economise the currency, it is always that aggregate value, which determines the value of the currency wanted in any country. Whilst that aggregate value remains the same, any great variation in the amount in quantity of the currency must be due to a change, or cause a change, in its value, as compared with that

of all other commodities. Where gold and silver are the only currency, any great and permanent increase in the quantity of those metals used as currency, (the aggregate value of the objects annually paid for in currency remaining the same,) must be due to a corresponding reduction in the cost of production of gold and silver; which cost, leaving to the owners of mines a greater or less rent according to their fertility, determines the value of those metals as compared with that of all other commodities. The amount in value of the currency wanted to effect the necessary payments, though but a comparatively small portion, is one of the most important, productive, and necessary portions of the capital of a nation. Its use is substituted to an inconvenient barter or exchange of one commodity for another; it enables every individual to dispose at all times, and with facility, of the whole surplus of the products of his industry, and to purchase with the proceeds any of the products of the industry of others which he may want; it promotes the division of labour, and vivifies the industry of the whole country. But whenever the precious metals used as currency exceed in any country the value wanted to effect the necessary payments, the surplus becomes a dead and unproductive stock; and it will, accordingly, be either converted into manufactured articles of those metals, or be exported to other countries.

It is evident, that, if the currency should consist of an irredeemable paper, having only an artificial and local value, and none whatever, either in other countries or for any other purpose; any excess in the nominal value of such currency, beyond the actual value sufficient to make the necessary payments, must cause a corresponding depreciation in that nominal value. If fifty-five millions of ounces of pure silver, at its present value as compared with all other commodities, are sufficient on an average to effect all the payments made in the United States in currency, the whole quantity of a paper currency substituted to silver, cannot, on an average, whatever its nominal amount may be, exceed in value fifty-five millions of ounces of pure silver, or about seventy-one millions of dollars in our present coin. Whether such currency amounted nominally to seventy-one, one hundred, or one hundred and forty millions of dollars, its value would not, on an average, exceed that of the seventy-one millions of silver dollars wanted to effect the necessary payments; and the paper money would generally depreciate at least in proportion to the excess of its nominal amount beyond seventy-one millions of silver dollars. Having recurred to numbers by way of illustration, it is proper to observe, that we do not mean to assert that the total value of currency wanted in any country is not a fixed sum. It is evident that it must vary with the variations in the aggregate value of the several objects usually paid

for in currency. Even when no such alteration takes place in the industry and commerce of a country, the amount of currency may occasionally, to a certain extent, exceed that which is actually wanted, without affecting its price. An approximation of the average amount, which always fluctuates within certain limits, is all we pretend to give.

It is obvious that the aggregate value of the annual payments made in currency, which regulates the value of the currency wanted, must itself principally depend on the aggregate value of the land, labour, products of labour, and in short of all the objects which are or may be annually sold or exchanged. The amount of the value of currency wanted, or the demand for currency in every country, depends therefore principally on its wealth, but is modified in some degree by the state of society. The wages of labour, and the rent of land, are, in most countries, no inconsiderable portion of the objects which must be paid for in money. Countries where slave is generally used instead of free labour, or where, as in the United States, the greater part of the land is occupied and tilled by the owners, or, when rented, let generally on shares, will, therefore, with equal wealth, require a less proportionate amount of currency in value. Less is also wanted in purely agricultural countries, and every where by those engaged in agriculture, than in any other profession. As a far greater part of the income of almost every individual is expended on articles of food, than on the product of any other one branch of industry, farmers consume a much greater part of the products of their own industry, and they therefore have a less proportionate amount of those products to exchange for the products of the industry of others, than any other profession. Barter continues also to be a principal mode of exchange in the country, at least in a great portion of the United States, where the planter and farmer obtain from time to time their supplies from the merchant, and pay him annually with their crop. It may be said, generally, that, with respect to the state of society, the want and demand for currency increase in proportion to the density of the population, the consequent multiplication and growth of towns, and the division of labour. And these being almost exclusively the result of the increasing growth, prosperity, and wealth of a country, it may be correctly asserted, that the demand for currency in any country is generally proportionate to its wealth.

That demand increases in proportion to that of population, only in as far as population is a principal element of wealth; and both will increase together, nearly in the same proportion, in a country which in other respects is nearly stationary. But the ratio of the population to the actual amount of currency, which always corresponds nearly with the demand for it, will be found to differ materially in various countries, according to the pro-

ductiveness of labour, to the accumulated amount of products of labour or capital, and generally to the wealth of each respectively. The perpetual melting of coins, makes, indeed, the amount of coinage alone, and without many subsidiary investigations, a very imperfect criterion of the amount of gold and silver coins existing in any country. A much more correct estimate may be made, where paper or debased coin, neither of which can be advantageously exported or used for any other purpose, constitute the whole or greatest part of the currency. And resorting to both means, an approximation sufficient for the purpose may be obtained.

We learn from Storch, that the paper money of Russia, amounted, in 1812—1814, to five hundred and seventy-seven millions of rubles, and the copper currency to about twenty-five millions. Both being depreciated to one-fourth part of their nominal value, were equivalent to one hundred and fifty millions of silver rubles; to which adding the estimated amount of twenty-five millions of silver rubles still in circulation, gives a total of one hundred and seventy-five millions, equal to less than one hundred and thirty-two millions of dollars. The paper circulates, almost through the whole empire, from Archangel to Odessa, and from the banks of the Dwina to the confines of Asia. Excluding Riga, Curland, and the Asiatic provinces, the one hundred and thirty-two millions of dollars are the total value of currency, for at least thirty-five millions of souls, that is to say, at the rate of less than four dollars a head.

It will hereafter be shown, that the amount of currency of the United States, did not, in 1829, probably exceed seventy-two millions of dollars, or at the rate of about six dollars a head; a result nearly the same as that of the year 1819. The reasons, why the amount is less than might have been inferred, from the extensive commerce of the United States, and the wealth of our large cities, have already been briefly indicated.

In France, where great pains have been taken to ascertain the facts, as far as it is practicable, in a country, nine-tenths at least of the currency of which consist of the precious metals, the estimates vary, for different years and different amounts of population, from two thousand to two thousand five hundred millions of francs, but only from seventy-two to eighty francs, or from thirteen and a half to fifteen dollars a head.

The bank notes of the Bank of England, and of country banks amounted, in the year 1811, to forty-four and a half millions sterling, and those of Scotland to three millions and a half, equivalent, together, to about forty-four millions specie, to which adding about four millions worth of debased silver, gives, in a population of about twelve millions of souls, about £4 sterling, or 19 dollars a head. In 1829, the amount has been stated to be twenty-two millions in gold, eight millions in silver, and twenty-eight

millions in English bank notes, to which, adding four millions of Scotch notes, gives sixty-two millions, or about the same result in proportion to the population; since this, allowing the same rate of increase since 1821, as between 1811 and 1821, must now amount to between fifteen and sixteen millions of souls. But, including the population and the bank notes of Ireland, we would have a population of about twenty-three millions, and a currency of about sixty millions sterling, or, as in France, about fourteen dollars a head.

From these and more imperfect data, in relation to other countries, we believe that the total amount of currency in Europe and America, may be estimated at two thousand to two thousand three hundred millions of dollars; three-fourths of which consist of the precious metals, and the residue of bank notes and irredeemable paper money.

The amount in weight or quantity of gold and silver, is now fifteen times as great in Europe and America, as it was prior to the discovery of the last country. But the three hundred millions previously existing, were then worth as much as twelve hundred millions at this time. The increase, so far as it consists only in amount, and has been caused by the reduced cost of production, is, at least with respect to currency, of no importance whatever. It is quite immaterial to the community, whether one thousand ounces of silver, will, on an average, purchase one thousand or four thousand given measures or weights of every other commodity. Had not that reduction taken place, four hundred thousand millions of dollars in currency would have answered the same purpose as is now effected by sixteen hundred thousand millions, without any other difference, than probably the use of coins of base metal, instead of our dimes and dalf dimes. But the increase from twelve hundred millions, (the present worth of the former three hundred millions,) to four thousand five hundred millions, is an increase in value, and indicates a corresponding, and, on account of the numerous substitutes for currency introduced by commerce and credit, a still greater proportionate increase of the wealth and prosperity of Europe and America together, during the two last centuries. That increase of value has no otherwise contributed to this increased wealth, than as far as it has added to the amount of exchangeable commodities; and the same effect would have been produced by a similar increase in any other commodity. The increased wealth and prosperity of Europe and America are the cause, and not the effect, of the increased amount in value of gold and silver, which they now possess. The causes of that great increase of wealth, are not to be found in the fertility of the mines of America, but in the general progress of knowledge, skill, and every species of industry, in the consequent improvement of governments, laws, and habits, in all that

constitutes what is called civilization. The influx of precious metals follows in every country, and does not precede the corresponding increase of wealth.

The regularity of the annual supply of the precious metals, not being affected by the seasons, the changes in the amount of that supply, had, during the two last centuries, been gradual, and hardly sensible from year to year. That, which has taken place within the last twenty years, has been greater than had been experienced, since the first great revolution caused by the discovery of America. The annual supply of the mines of America, Asia, and Europe, had reached its highest point, in the years 1803–1810, and amounted then to fifty millions of dollars, or to about one and one-fourth per cent. of the whole quantity of precious metals then existing in Europe and America. The convulsions of the former Spanish colonies have, for the last twenty years, reduced the total annual supply to about twenty-seven millions, or to about three-fifths per cent. of the whole amount now existing. A diminution of one half of the ordinary supply of any other commodity, the demand remaining the same, would have produced a still perhaps greater proportionate increase in its price. Continued during twenty years, this diminished supply of the precious metals, whilst the demand is still gradually increasing, cannot but have affected, in some degree, their price; and if prolonged much longer, the effect would be visible; but it has been gradual, from year to year imperceptible, and affecting in no sensible manner the performance of contracts. This is obviously due to the extreme comparative smallness of the ordinary supply, which does not exceed one hundredth part of the stock on hand, whilst the annual supply of corn and of most other natural products always exceeds, and that of most manufactured articles hardly equals, the amount of the old stock. The superior durability and value of the precious metals, over every other substance (including even iron, copper, and other metals) fitted for a circulating medium, which produce and preserve the great accumulation of gold and silver, are the principal cause of their great superiority over every other commodity, as a permanent standard of value.

For the same reasons, any accidental inequality in the distribution of the precious metals, amongst the several countries, in proportion to their respective wants, is promptly and easily repaired; and any extraordinary demand from a particular country met without difficulty, or sensibly affecting the price of the metal required. The general supply or stock on hand, is always sufficient to meet such demand, and the expenses and charges of transportation are, on account of the greater value of an equal bulk, far less than those of any other commodity, hardly ever exceeding in time of peace one per cent. on the value, even

when brought from the most distant countries of the civilized world. During the four years which immediately followed the resumption of specie payments in England, that occurrence caused an extraordinary demand of more than twenty millions sterling in gold, or about twenty-four millions of dollars a year, being near three times as much as the annual supply of that metal; and this demand was met without any difficulty, or sensibly enhancing the price of gold. As the gold coins of France are, by the mint regulations of that country, a little overrated in relation to those of silver, they always command a small premium, varying generally from one-fifth to one-half per cent. This premium never exceeded the last rate during the years of that demand; which is a conclusive proof that it could not at most, and at any time, have enhanced the price of gold more than three-tenths per cent.; since, in that case, the advance would have also taken place in France, whence, in fact, a considerable portion of that demand was supplied. This decisive fact also shows, that it is erroneously that the exportation of American gold coins, which commenced in the year 1821, has been ascribed to that extraordinary demand. That exportation has been continued uninterruptedly, after that cause had ceased to operate, and, as will be seen hereafter, is due to the alteration from that epoch in the rate of exchanges.

But it is nevertheless true, that as the value of the various objects exchanged or sold annually in a country, and, what is still more important, as the proportion of that value to the amount of the actual payments which must be made in currency, are both subject to variations, the amount of currency wanted in a country does, exclusively of the gradually increasing demand caused by an increasing prosperity, vary at different times in the same country. That amount ought, therefore, in prosperous seasons, to exceed that which is then necessarily wanted, in order to be able to meet the greater demand which at times takes place. There are, in every country, banks, bankers, and great dealers, in whose hands the currency of the country accumulates, to be thence again distributed amongst the members of the community, according to their respective wants. Obliged to meet those demands, it is their interest and duty to keep always those reservoirs sufficiently full. And, where no artificial substitute has rendered the task more difficult, in countries where specie is the sole or principal currency, although there may be occasional commercial revulsions and distress, an actual want of specie is hardly ever known.

Although the causes of such distress, and of a real or presumed scarcity of currency are of the same nature, they may, as somewhat dissimilar in their immediate effects, be distinguished as external and internal. As the imports and exports of a coun-

try are now but rarely effected by the same persons, there are always, in consequence of the commercial intercourse between two countries, creditors and debtors on both sides. It is obviously the interest of both to exchange or sell those debts, when the exporter does not want to import, nor the importer to export merchandise. A bill of exchange, drawn from the United States on England, is an obligation on the part of the drawer to exchange, for a sum paid to him in the United States, an equivalent in England. When the credits and debits respectively payable at the same time are nearly equal, the exchange is made on equal terms. In proportion as the debt of the United States to England, is greater than that of England to the United States, the demand for bills on England will become greater than the supply; and the drawer will obtain a greater sum in the United States, than that which by his bill he obliges himself to pay in England. Whenever the difference becomes so great, as to exceed the expense and risk of transporting precious metals to England, those metals will be exported in preference to a remittance in bills. When the commercial transactions between two countries are comparatively small, and the stock of gold and silver large, their exportation, particularly in neighbouring countries, soon pays the balance and restores the equilibrium. When, as between the United States and England, the respective imports and exports are very large, the balance due may be increased in proportion, and, the stock of the precious metals in the United States being comparatively small, the exchange may remain for years unfavourable; and the precious metals continue to be exported, until the balance is actually paid from the proceeds of the exports generally, or converted, by the sale of American stock, into a debt not immediately demandable.

This apparently continued drain was considered, in former times, as an evil of great magnitude; and severe laws were in most countries enacted against the exportation of specie. Experience has shown, not only that those laws were inefficient, but also that the best, if not only means, to ensure an uniform and sufficient supply of any foreign product, when there is no other object in view, is to lay no restraint whatever on its importation and exportation. Commerce, when not interrupted by war, or other causes, is always found to supply the amount of precious metals which may be wanted. Numerous striking proofs might be adduced: it is sufficient to recollect, that the average rate of exchange on England, from the beginning of 1821 to the end of 1829, has been $4 87 cents per £ sterling, (about $9\frac{3}{8}$ per cent. premium on nominal par,) or $2\frac{3}{8}$ per cent. above the true par; that it never was, during the whole of that time, below $4 60, at which rate, gold, being underrated by our mint regulations,

commences to be exported, and that that period was in no degree remarkable for scarcity of specie.

Being obliged to refer to the rate of exchange, it must be recollected, that what is universally meant by par, is the promise to pay, in another place, a quantity of pure silver or gold, equal in weight to the quantity of pure silver or gold contained in the coins, with which the drawer of the bill of exchange is paid. When bills are drawn at long dates, and payable at a distant place, the time which elapses between the purchase of the bill from the drawer, and its payment by the drawee, must be taken into consideration, in order to calculate what would be an equal exchange, as distinguished from the par of exchange. There is no other difficulty, but that of ascertaining their respective weights, in order to calculate the par of exchange between countries having the same standard of value, or in which payments are usually made with the same metal. This being the case in the United States and in France, and the French kilogramme being equivalent to about 15,434 grains, troy weight, the *par* of exchange of the United States on France, is at the rate of about 5 francs and 34½ centimes for a dollar, since the French franc contains 4½ grammes, and the United States dollar 371¼ grains of pure silver. Allowing 1¼ per cent. on account of the 90 days which will usually elapse between the day on which the value of a bill payable 60 days after sight is, in our country, paid to the drawer, and the day on which that bill is paid in the other country by the drawee, it will be found that the *equal* exchange between the United States and France is, on such bills, at the rate of francs 5.28, if drawn from the United States on France, and at the rate of francs 5.41 for one dollar, if drawn from France on the United States.

But if one of the two metals is, by mint regulations, underrated or excluded in one country, whilst the other metal is in the same manner excluded in another country, the usual payments will be made in different metals in those two countries; and the par of exchange between them must, then, as is the case between the United States and England, depend on the relative value of gold and silver at the time, and vary with every fluctuation of that relative value. These fluctuations are, however, confined within narrow limits; the value of gold bullion, as compared with silver, varying between the ratios of 15.70 and 15.80 to 1. And the medium par of exchange between the United States and England, deduced from the average premium on gold over silver coins in France, is about $4 75, for one pound sterling, or near 7 per cent. above the nominal par assumed in the usual quotations of exchange. It is in those quotations supposed, that one pound sterling is equal to $4 44$\frac{4}{9}$, or, in other words, that one dollar is equal to 4 sterling. It is

not necessary to investigate, whether this presumed equality or par was derived from the intrinsic value of some ancient Spanish dollar, no longer current, or whether it was adopted as convenient for the conversion of most of the currencies of the British colonies into British currency. It is certain that this imaginary par does not even correspond with that which, though erroneously, might be deduced from comparing separately the gold and silver coins of the two countries with each other respectively; since this would be, if comparing gold to gold, about $4 56, and if comparing silver to silver, (at the former rate of 62 sterling for one pound troy weight of silver, old British standard,) about $4 63 for a pound sterling. The dealers in exchange are at no loss to make their calculations, whatever rate may be assumed as par in the usual quotations: but this puzzles, and, in various respects, misleads those who, without investigation, naturally suppose that what has been assumed is the true par of exchange.

The causes of the fluctuations of exchange between distant places in an extensive country, or between different countries, are of the same nature, and may occasion a similar transportation of the precious metals from one place to another. We will hereafter examine how that from one part of the United States to another has been affected by the Bank of the United States. But there is this difference, between a commercial distress and presumed scarcity of currency, due to internal causes, whilst the foreign exchanges remain favourable, and a similar distress arising from large foreign debts, and accompanied by an unfavourable rate of exchange, that, in the last case, there is an exportation of the coins of the country which cannot take place in the first. If the same effects, in other respects, are nevertheless the same in both cases; if in both, the same, and sometimes general distress equally prevails; if the same difficulty occurs in the payment of debts; if the same complaint is made of want of money, whether specie is exported or not, it is obvious that there must be another cause, besides an actual scarcity of currency, for the real distress which is felt; and that what is called "want of money," is not "want of currency." It will be found that this cause is universally overtrading, and that the want of money, as it is called, is the want of exchangeable or saleable property or commodities, and the want of credit. The man who says that he wants money, could at all times obtain it, if he had either credit or saleable commodities.

Overtrading consists in undertakings or speculations of every possible description, which fail altogether, or of which the returns are slower than, under sanguine expectations, had been calculated, or the proceeds of which, (too many tempted by temporary high prices or profits, having embarked in the same

branch of business,) greatly exceed the demand, and glut the market. A great loss may be experienced by those who have entered into any such undertakings with their own resources. But when resting principally on credit, and pursued at the same time by a great portion of the dealers or men of enterprise, a general impossibility of fulfilling previous engagements takes place, which affects even those who are ultimately solvent. That mutual confidence, which is the sole foundation of credit, being once shaken, the capitals that are usually loaned can no longer be obtained, the usual amount of bills of exchange, discounted notes, or other commercial papers founded on credit, is lessened, and specie or currency itself becomes comparatively scarce, partly because some is hoarded, principally because a portion of its substitutes is withdrawn from circulation. Yet specie, under those circumstances, acts but a subordinate part, its scarcity being the effect, and not the cause, of the evil, and the remedy to this consisting in restoring credit and confidence, which will always procure a sufficient amount of currency, and not in an attempt to increase the quantity of currency, which can produce no substantial benefit until confidence is restored. When it consists of paper founded on credit, any increase is inefficient for remedying the evil, unless it be issued by an institution, the credit of which has, in the general wreck, remained unaffected and unimpaired.

The commencement of the year 1793, was, in England, a season of great and universal commercial distress. It had, as usual, been preceded by a period of great apparent prosperity, which had stimulated overtrading; and this had been followed by its unavoidable consequences. More than one hundred country banks failed, or suspended their payments; the distress was general, the credit of solvent houses was affected, the usual accommodations, which enabled them to have their bills discounted, and to meet the demands against them, were withdrawn, and the complaint of *want of money* was universal. Under those circumstances, government interfered, and loaned, or offered to loan, to solvent dealers, five millions sterling in exchequer bills. The remedy was effectual; the whole amount offered to be loaned was not even applied for; and, in a very short time, confidence was restored, and every one who was not actually insolvent was able to meet his engagements. But exchequer bills are not currency, but only a promise to pay currency at the end of one year. Government did not lend currency, or add a single shilling to its amount. The credit of individuals had received a severe and general shock, and that of government, which was unimpaired, was substituted for private credit. Those who had capital to lend, and would not advance it on private security, or who, in other words, would not discount the

bills of individuals, lent that capital, or the currency which was wanted, on public security, or, in other words, discounted the exchequer bills, that is to say, the bills of government. The distress, the pretended want of money, was relieved, not by any additional issues of currency, the amount of which must therefore have been sufficient, but by restoring private confidence and private credit.

It is also evident, that what was then effected by government, might have been done by the Bank of England, had that institution, more sparing of its resources, during the preceding period of prosperity and incautious enterprise, been enabled, when the revulsion took place, to lend its credit to solvent houses, by discounting their bills, and increasing its issues of paper currency. It may be presumed, that, having already overstrained its resources, the bank could not have done this, without endangering its own credit, and running the risk of being unable to pay its own notes, if their amount was increased. But the mode adopted by government, and which proved so efficacious, makes it obvious, that, had the bank been enabled, without the aid of the treasury, to relieve the distress, and, what was called the want of money, the relief afforded would have been the result, much less, if at all, of the enlarged issues of bank notes, than of its lending its credit to those solvent dealers whose credit was impaired.

As a bank cannot increase its discounts without increasing its circulation, the two operations, being in its hands inseparable, are generally confounded. The manner in which the British government afforded relief in the year 1793, conclusively proves that they are essentially distinct, even in a country where the currency consists principally of paper founded on credit, and that the demand always made on banks in times of pressure, for enlarged issues of bank notes, is not a demand for currency but for credit. Cautious and well directed banks will always afford great relief in such times, if enabled by the previous prudent administration of their affairs to lend their credit to solvent dealers; which cannot be done without enlarging their issues. If, on the contrary, this has already been done to its utmost extent, if during a period of high prices and great apparent prosperity, the spirit of enterprise, naturally excited by that state of things, and which required them to be checked, has, on the contrary, been stimulated by incautious loans and consequent issues of paper on the part of the banks, the result will be, and has every where always been, as fatal as unavoidable. When the revulsion takes place, when, from excessive competition or imprudent speculation, the market becomes glutted with a superabundance far exceeding the demand of any species of commodity, often in the United States of land itself, or when, from want of skill

or any other cause, undertakings have altogether failed, or when the slow returns of such undertakings require years to be realized, and both capital and credit are exhausted; at the very time when the aid of banks would be most wanted, those institutions, prematurely disabled, instead of simultaneously enlarging their issues, and lending their credit to solvent but embarrassed dealers, manufacturers and farmers, are compelled in self defence to contract their issues and loans, and thus greatly to aggravate the evil, which they had at least neglected to check, if they were not instrumental in its growth.

In countries, therefore, the currency of which consists principally of bank paper, banks will have a beneficial or pernicious influence on credit, and a currency depending on credit, according to the manner in which they may be administered, useful when their operations in prosperous times and whilst under their control, are regulated by probity, great discretion, and skill; pernicious when their administration is defective in any of those respects. But in countries, where the currency consists wholly or principally of the precious metals, and where bankers lend money and discount bills, but do not issue a paper currency, the two operations are never confounded; and although not exempt from commercial revulsions, they will be of less common occurrence, and have little or no influence on currency itself. It may be confidently affirmed, that the precious metals, under any circumstances whatever, and amidst all the temporary fluctuations arising from a disproportion between supply and demand, continue to be a more permanent standard of value than any other commodity, or any species of paper resting on an element so variable as credit.

The substitution of a paper currency to the precious metals, does not appear to be attended with any other substantial advantage than its cheapness; and the actual benefit may be calculated with tolerable accuracy. If in a country which wants and does possess a metallic currency of seventy millions of dollars, a paper currency to the same amount should be substituted, the seventy millions in gold and silver, being no longer wanted for that purpose, will be exported, and the returns may be converted into a productive capital, and add an equal amount to the wealth of the country. If the banking system, founded on the principle of a paper currency convertible at will into specie, is adopted, and notes of a very low denomination are excluded, it will be found, that the circulation of the United States consists of about sixty millions in bank notes and ten millions in silver.*

* It has been lately stated, that the bank notes of every description in England, amount to twenty-eight millions sterling; and the bullion in the vaults of the bank, to thirteen millions. If this is correct, the capital saved is only fifteen millions, and the annual profit, derived from the paper currency, six hundred ~~millions~~ pounds sterling.

But in that case the banks, in order to sustain specie payments, must, on an average, have in their vaults about twenty millions in specie. This is believed to be nearly the state of things at this time in the United States, if, according to common usage, we consider bank notes as constituting the whole of the paper currency. There have been, therefore, on that principle, only forty millions of dollars saved and added to the productive capital of the country. This, at the rate of 5 per cent. a year, may be considered as equal to an additional annual national profit of two millions of dollars. The substitution of bank notes to a metallic currency produces the same effect, as an addition of two millions a-year, to the exports of the United States, or as a diminution of taxes to the same amount. Being inclined to think that the credits on the books of the banks, called *deposits* in the United States, constitute to all intents and purposes a part of their currency, we believe that the benefit derived from the banking system is still greater, and is tantamount to an annual national saving, or additional profit, of near four millions of dollars.* This is certainly an important advantage, provided the system is conducted so as to afford complete security; and it would be altogether free of objection, if the banks were only banks of deposit and issued no paper. Barns are certainly a very expensive implement of agriculture. The capital expended on those buildings, in the middle and northern states, is more than the value of one year's crop of the farms, and causes therefore a deduction of more than 5 per cent. on the annual gross produce of the earth. To dispense with barns would be a greater annual saving, than that which arises from a substitution of a paper to a metallic currency. Some favourable seasons occur, when the farmer might thresh his wheat on a temporary floor exposed to the weather, and dispense with a barn. Yet, in our climate, every prudent farmer prefers security to a precarious advantage, and would consider it a most wretched economy, not to incur the expense necessary for that object. Similar is the economy of that expensive instrument, the precious metals, if the substituted paper currency is insecure. To unite that security, which is derived from a uniform and permanent standard of value, with the acknowledged and considerable saving arising from the substitution, is the difficult problem to be solved, in every country that resorts to that cheaper species of circulating medium.

* We do not take into consideration the annual amount wanted to repair the loss occasioned by friction in gold and silver coins. This has been greatly overrated by respectable British writers, but according to the various opinions deduced from actual experiments, cannot exceed, taking the highest computation, and is probably less, than seventy thousand dollars a-year, on a coinage of forty millions.

A paper currency is either convertible at will into specie, or redeemable at some future time, or altogether irredeemable. The two last descriptions are excluded by the Constitution of the United States, and require examination, only because experience has shown, that a currency of the first description may degenerate into one not convertible into specie, without, on that account, ceasing to be the only currency of the country. It is, however, hardly necessary to add any further arguments intended to refute the opinions of those who contend for issues of paper money to an indefinite amount, without regard to the fundamental principle, that the demand is for value, and that it is impossible to increase the amount of currency beyond certain limits, without producing a corresponding depreciation in its value. A recurrence to that principle is sufficient to dissipate the singular illusion under which that opinion is advanced.

We find, in a paper laid before the Senate during their last session, that, according to the increase of population since the year 1820, there ought to have been, since that time, a demand for thirty-two millions of acres of the public lands, which, at the present price of 1¼ dollars per acre, would have yielded forty millions of dollars, (or four millions a-year,) whilst the annual sales amount only to one million, "the reason for which is want of money to purchase." The remedy proposed in the sequel, is an issue of paper money by government, the general benefit of which, according to the writer, would be stupendous. "Were our own government to increase our circulating medium *only* fifty millions of dollars, income-yielding property would rise two thousand millions of dollars."

The word "money" is used as synonymous with specie and currency. But as currency is the thing by which every thing else is valued, the value of every species of property is expressed in currency. A planter, possessed of property, which, in usual times, might be sold for one hundred thousand dollars, is accordingly said to be worth one hundred thousand dollars, though he may not, at any one time, have in his possession one thousand dollars in currency. The word money comes thus to be used as synonymous with wealth; and, in that sense of the word, we agree with the respectable writer of the paper in question, that the reason why the sales of the public lands have not far exceeded one million of dollars a year, has been the want of money, that is to say, of wealth on the part of those who would have wished to purchase. From the other writings of the same author, we had concluded, that he was in favour of issues of paper money almost to an indefinite amount. But it appears by this paper, that he is perfectly aware, that a very limited amount of currency is sufficient; since he avers that an additional issue of fifty millions would produce, on the value of the productive property of

the country, an effect forty times as great as that issue. This reduces the question to one of quantity, and whether the amount of currency supplied by the banking system now existing is insufficient, and ought to be increased by an issue of government paper. As it is the interest of the banks to issue as many notes as can be kept in circulation, and as they are authorized by their charters to issue more than three times the present amount, it is clear that the obligation to pay their notes in specie on demand is the sole reason why that amount is not greater. It is, therefore, absolutely necessary, in order to enlarge it, that the proposed new issue should consist of a government paper money, not convertible into specie on demand. It could not, according to the Constitution, be made a legal tender for the payment of debts between individuals, and might only be made receivable in payment of debts due to the United States. It is evident that such paper could not circulate a single day in competition with that of the banks, which is received not only for that purpose, but in payment of all debts, and is at all times convertible into specie. The new paper would be immediately depreciated in proportion to its amount, and produce no other effect than that of lessening the revenue of the United States in the same proportion. It would be much more simple, if that was the object, to reduce the rate of existing taxes; with respect to the public lands, to reduce the price at which they are now sold. We believe that this last measure would be equally just and consistent with sound policy, and that the great change of circumstances which has taken place, and principally the superabundant supply of public lands, compared with the *effective* demand at the present price, imperatively require a reduction of that price. Those lands are the property of the people of the United States at large, and cannot be given gratuitously either to particular individuals or to particular states. But they should not be kept out of market by persevering in a price, that was adapted to the time when it was fixed, and no longer accords, either with the greatness of the supply, or with the wealth of the natural purchasers, of those who want them for their own use, and who may, if the expression is admissible, be considered as the consumers of that commodity.

But supposing, for the sake of argument, that this additional issue of paper by government should not experience any depreciation, and should circulate at the same rate, as bank notes convertible on demand into specie, not the slightest advantage would accrue to the purchaser of public lands, or to any other individual. If not depreciated, the same quantity of labour, of wheat, or of any other commodity, will be necessary, and must be given, in order to obtain an equal quantity either of that paper, of bank notes, or of specie. If depreciated and circulating, the farmer

might indeed obtain two dollars of that paper, instead of one in specie, for a bushel of wheat, and the labourer receive one dollar nominal, instead of half a dollar in specie, for a day's labour. But what benefit would arise to either? Since the farmer would be obliged to pay also a double nominal price for the labour he wanted, and the labourer a similar double price for the farmer's wheat, and since both would likewise be obliged to give a double price for any article they might want, when paid with that paper. This is so simple and obvious, that we are entirely unable to understand on what grounds the contrary doctrine can be sustained. After having tried to understand what was meant by those who pretend to argue in support of excessive issues of paper money, we have found nothing but a repetition of the erroneous assertions, on which the famous Law attempted to build the stupendous scheme which bears his name and desolated France in the year 1720. He asserted, 1st, that gold and silver were only the representative or sign of wealth; 2d, that paper might be that sign as well as the precious metals; 3d, that by doubling or trebling the amount of that sign, the national wealth would be increased to that amount; 4th, that such increase of the currency would reduce the rate of interest, and thereby promote industry. It is hardly necessary to show that those assertions are a series of errors, and some of them, voluntary errors. The precious metals are not merely the sign or representative of wealth; they have an intrinsic value, on account of the cost of their production, and of the demand for other uses than currency, and are therefore wealth itself. It is because they have an intrinsic and comparatively stable value, that they have become the standard of the value of every other commodity, or, according to Law's vocabulary, the representative or sign of wealth. A certain quantity of those signs is necessary for a circulating medium; but the quantity used adds nothing more to the wealth of any country, than the intrinsic value of that quantity. Paper having no intrinsic value, never can, whatever its amount may be, add any thing directly to the national wealth. Its utility consists in the substitution of a sign of no value for a sign which has an intrinsic value, and which may, on that account, be used advantageously for other purposes than that of a sign. Having performed that office, the increase of paper, beyond the amount of the valuable sign of which it takes the place, neither adds nor produces any wealth. The multiplication of the signs, beyond the amount in value wanted, can have no other effect than that of depreciating their nominal value, and has none on the rate of interest, which depends, not on the amount of those signs, or of currency, but on the proportion between the amount or supply of capital which may be loaned, and the demand for that capital. The result of Law's scheme was a fatal illustration of his doctrines. By a series

of arbitrary acts on the part of government, and by connecting some splendid and illusory schemes with the bank, he succeeded in putting in circulation about four hundred and twenty millions of dollars in bank notes, or more than twice the amount of the currency then wanted in France. This paper was made a legal tender, to the total exclusion of the precious metals. But the laws, and all the power of the French government, were unequal to the task of sustaining that excess of currency. The price of every species of merchandise naturally rose 100 per cent. Government, with a view probably to prevent a total catastrophe, reduced by a decree the notes to one half of their nominal value. The bubble burst instantaneously. The whole currency of the country, the four hundred and fifty millions dollars of bank notes, could not, the next day, have been sold for the value of the paper on which they were printed. They were subsequently funded at the rate of eighty for one. The public creditors, who had been paid in notes, lost one hundred and fifty millions of their capital. Some speculators in shares were enriched; all the actual stockholders were ruined; and the calamity extended to all the industrious and productive part of the community. Since that time banks have not been connected with such gross commercial bubbles. But in England, the South Sea scheme, and the joint stock companies of the year 1825, were erected on the model of the Mississippi Company of Law; and the Assignats of the French revolution, as well as all the other attempts to substitute an excessive issue of pure paper money to a metallic currency, have been but copies of his bank notes.

It has been contended by distinguished writers of a very different description, that an irredeemable paper currency, not exceeding in its nominal amount that in value which is actually wanted, might be altogether substituted to gold and silver, provided that government should always regulate the issues so as never to exceed or fall short of that amount, and thereby preserve the stability of its value. The advantage of such paper, over notes convertible on demand in specie, would consist in saving the expense of the gold and silver necessary to pay such notes at the will of the holders, and in protecting the currency against both a panic, and the consequences of any great drain of the precious metals from abroad;—dangers to both of which notes payable in specie are exposed. It must, in the first place, be observed, that the unavoidable effect of an increased or diminished value of the currency, arising from contraction or excess of its amount beyond certain limits, is ultimately to sink or to raise the price of every other commodity. But this change may not affect immediately the price of the commodities or of the labour applied to objects not susceptible of being exported; and that of exportable commodities is often affected by variations in the

relative amount of supply and demand, which are altogether foreign to the state of the currency. The wisest government, with the purest views, never has any other means of ascertaining, whether the amount of a paper money is too limited or excessive, than the price of the precious metals in such paper, because those metals are, of all others, the commodity least liable to variations in its value. The rate of exchanges may occasionally be a more sensitive test, but is in reality a more circuitous and less certain mode of resorting to the same standard of value. Thus government has no means to ascertain, whether its issues are too contracted or too large, till after the evil has actually taken place; whilst banks, obliged to pay their notes in specie, and skilfully directed, are constantly employed in preventing its occurrence. But supposing government to be endowed with such skill as to be able always to adjust the proper amount of currency; an amount which, if this is metallic, adjusts itself, and which by banks properly conducted may be tolerably well regulated; there is still an ingredient, inherent to paper not convertible on demand in specie, which no human skill can control. This is public opinion, with respect to future contingencies, and therefore purely conjectural.

It has been asserted, that the value of an irredeemable paper money is altogether regulated by its amount, and does not, or at least ought not, to depend on confidence in the solvency of the government by which it is issued. The last assertion may be strictly true, though we believe, that in point of fact, there has hardly been any issue of paper, which in its origin was not founded on an explicit or implied promise to redeem it. But, if not depending on confidence in the solvency, the value of the paper will most certainly be affected by the public confidence in the skill, discretion, and probity of government, these being the only guarantees against excessive issues, and experience having but too well proved the natural disposition of every government which ever did issue paper, to resort, whenever pressed by its exigencies, to that resource, without regard to amount and consequences. Our principal concern, however, is with paper, originally convertible on demand in specie, and which has degenerated into a paper, the redemption of which is indefinitely postponed. It is evident that the value of such currency must depend on the probability of its being ever redeemed, or of specie payments being resumed, and of the time when this will take place. And as there lies the danger to which the currency of the United States is exposed, we will illustrate that position by some instances.

The paper money issued by Congress during the war of the American independence, experienced no sensible depreciation before the year 1776, and so long as the amount did not exceed

nine millions of dollars. A paper currency, equal in value to that sum in gold or silver, could therefore be sustained so long as confidence was preserved. The issues were gradually increased during the ensuing years, and in April 1778, amounted to thirty millions. A depreciation was the natural consequence; but had the value of the paper depended solely on its amount, the whole quantity in circulation would have still been equal in value to nine millions, and the depreciation should not have been more than 3⅓ to 1; instead of which, it was then at the rate of six dollars in paper for one silver dollar, and the whole amount of the paper in circulation was worth only five millions in silver. It is obvious that the difference was due to lessened confidence. The capture of Burgoyne's army was followed by the alliance with France, and her becoming a party to the war against England. The result of the war was no longer considered as doubtful, and sanguine expectations were formed of its speedy termination. The paper accordingly rose in value; and in June, 1778, although the issues had been increased to more than forty-five millions, the depreciation was at the rate of only four to one. From the end of April of that year, to the month of February, 1779, although the issues had been increased from thirty-five to one hundred and fifteen millions, the average value in silver of the whole amount of paper in circulation exceeded ten millions, and it was at one time nearly thirteen millions, or considerably more than that which could be sustained at the outset of the hostilities. But when it was discovered, that the war would be of longer continuance, confidence in the redemption of a paper money, daily increasing in amount, was again suddenly lessened. The depreciation increased from the rate of 6 to that of 30 to 1 in nine months. The average value in silver of the whole amount of paper in circulation from April to September 1779, was about six milions, and it sunk below five during the end of the year. The total amount of the paper was at that time two hundred millions; and although no further issues took place, and a portion was absorbed by the loan offices and by taxes, the depreciation still increased, and was at the end of the year 1780 at the rate of 80 dollars in paper for 1 in silver. The value in silver of the paper currency, was then less than two millions and a half of dollars; and when Congress, in March following, acknowledged the depreciation, and offered to exchange the old for new paper, at the rate of 40 for one, the old sunk in one day to nothing, and the new shared the same fate.

The aggregate of bank notes of the Bank of England and country banks was nearly thesame in the years 1810, 1813, and 1818, being, for each of those years respectively, about forty-six millions, forty-six millions two hundred thousand, and forty-six millions seven hundred thousand pounds sterling; and

the value in gold of the aggregate amount of notes was, for each of those years respectively, forty, thirty-five and a half, and forty-five and a half millions. A result nearly similar, will be found by comparing periods of years. The average amount of the notes in circulation was about forty-six millions for the years 1810, 1811; forty-five millions two hundred thousand for the years 1812 to 1816; and forty-four millions four hundred thousand, for the years 1817 to 1819; and the average value in gold of those notes, for each of those periods respectively, was forty-one, thirty-six, and forty-three millions. It is obvious that those differences, in the respective value in gold of the whole amount of the currency, did not depend on its amount, but on the opinion entertained, either of the probable increase or contraction of the notes, or of the resumption of the specie payments. Had the depreciation of the notes depended solely on their excess, it would have been nearly the same in the years 1810, 1813, and 1818, when that amount was nearly the same. Reducing into gold the value of the whole currency, no other reason can be assigned but a greater or less degree of confidence, why a paper currency worth forty-five and a half millions could be sustained in 1818, whilst no greater value than thirty-five and a half millions circulated in 1813. It is indeed evident, that the confidence in the resumption of specie payments must have been greater in 1810, and much greater in 1818, than in 1813; and that, independent of the intrinsic value of the bank notes, as regulated by their amount, they must, whenever depreciated, acquire some additional value, according to the opinion entertained of their being again converted into specie, and of the proximity of that event.

A still more striking instance of the sudden alterations in value, to which notes not convertible into specie are liable, is to be found in that which took place in England, in the spring of 1815, on the landing of Bonaparte from the Island of Elba. The bank notes had gradually risen in value since the peace, and were not depreciated more than 12½ per cent. in the beginning of March. Towards the end of that month, and within less than a fortnight, the depreciation was 25 per cent., although there had been, during that time, neither additional issues of paper, nor exportation of the precious metals. We will quote only one more instance of a similar nature. During the general suspension of specie payments in the United States, the depreciation of the bank notes varied in the several sea-ports. Those of the Baltimore banks were at 20 per cent. discount, in January 1815. The Treaty of Peace was ratified and published in the month of February; and as the suspension of specie payments had not lasted six months, and was caused by the war, a general expectation immediately prevailed, that those payments would be

forthwith resumed. Accordingly, bank notes rose every where in value, and, in March, the discount on those of Baltimore was only 5 per cent. As that expectation was disappointed, the notes again sunk in value, and, in July, those of Baltimore were again at a discount of 20 per cent.

It is believed, that no doubt can now remain, that a paper currency, liable to such fluctuations, due to causes that baffle all calculation, never can, by any skill whatever, be made a stable standard of value. But we cannot conceal from ourselves, that specie paying banks are not only exposed to extraordinary drains from abroad, but are also subject to moral causes, the effects of which cannot be calculated, nor without great skill and discretion be always prevented. These never affect a metallic currency, which has an intrinsic value, varying less than that of any other commodity, and not at all depending, as paper, on confidence, fear, conjectures, or any of the fluctuations of public opinions. It is equally clear, that extraordinary drains of specie, occasionally inconvenient when the currency is purely or principally metallic, may be fatal to one which consists of bank notes convertible on demand into specie. Supposing the currency of a country to consist of one hundred millions, a drain of twenty millions from abroad, would produce great inconvenience, but not beyond that of contracting the metallic currency to that extent, until commerce had supplied the deficiency. But, if consisting of bank notes, sustained by twenty millions of specie in the vaults of the banks, the basis being withdrawn, the whole fabric is at once overthrown, and specie payments must be suspended.

One of the most fatal effects of that suspension, is the great and unavoidable distress, which attends a return to a specie currency; particularly when the suspension has been of long continuance. Whilst this lasts, the loss falls in the first instance on the creditors; but new contracts are daily made, founded on the existing state of the currency; and should the suspension continue twenty years, as was the case in England, almost all the contracts in force, and not yet executed, at the time when specie payments are resumed, having been made when the currency was depreciated, the obligation to discharge them in specie, is contrary to equity, falls on the debtors, who are always the part of the community less able to bear the burthen, and is more calamitous than the suspension had been. Short in duration as this had been in the United States, the effect was sensibly felt, and to this cause, which also occasioned the failure of a number of new banks, must in a great degree be ascribed the great and general distress of the years 1818-1819. The *relief* laws of some of the states, and, in England the corn laws, may be traced to the same source. In that country, after so long a suspension of

specie payments, the calamity has necessarily been far more extensive and lasting. It is yet felt, and many still seek for remedies worse than the evil, and call for small notes, excessive issues, and all those measures which would lead again necessarily to an inconvertible paper currency.

Considerations of this nature, may well have suggested to the Committee of the House of Representatives, the question, whether a metallic currency would not, in the United States, have been preferable to one consisting of bank notes. And we would incline to the affirmative, if the system was not already established, and if we believed, that an attempt to return to a pure metallic currency, which could not, without producing great evils, be suddenly carried into effect, was at all practicable. Were not this the case, we would think, that a system of commercial credit, founded on deposits, and bills of exchange and other commercial paper, such as is carried on by the bankers of London and by all the bankers of the Continent of Europe, neither of whom issues any notes in the shape of currency, would afford to commerce, at least in commercial cities, nearly, if not altogether the same accommodations and advantages which are found in the present system. Commercial revulsions and numerous failures amongst dealers, as they may occur wherever there has been excessive overtrading, though less frequent, do nevertheless occasionally take place in countries which have only a metallic currency. But their effect is generally confined to the dealers, extending but indirectly and feebly to the community, and never affecting the currency, the standard of value, or the contracts between persons not concerned in the failures. It must be allowed at the same time that, in the country, where the system of deposits cannot exist to the same extent as in cities, banks soberly and skilfully administered, stimulate industry by the facility which their loans afford to men of enterprise, and that the ability of those banks to make those advances would be much curtailed, if altogether precluded from issuing notes.

There are, however, even in England, where incorporated country banks, issuing paper, are as numerous, and have been attended with the same advantages and the same evils as our country banks, some extensive districts, highly industrious and prosperous, where no such bank does exist, and where that want is supplied by bills of exchange drawn on London. This is the case in Lancashire, which includes Liverpool and Manchester, and where such bills, drawn at ninety days after date, are endorsed by each successive holder, and circulate through numerous persons before they reach their ultimate destination, and are paid by the drawee. It has been contended that these substitutes for currency, and in one respect performing its office, must be considered as forming part of it; and this assertion has been

carried so far, as to insist that there was in England a circulation of one hundred and fifty millions of dollars in bills of exchange, which was of the same character. As this view of the subject would materially affect the result of any inquiry respecting currency, the question must be examined, and extended to private notes and to bank deposits.

It is difficult to distinguish a note on demand drawn by a private individual from a bank note, in countries where every individual is left at liberty to throw such notes in circulation as part of the currency. The discrimination has always been made on the Continent of Europe, where it is not believed that any paper of that description has ever been permitted to be issued by any person or company not specially authorized to that effect. We are not aware that any similar general restriction exists in Great Britain, and that others are to be found there, than the clause, in favour of the Bank of England, which forbids banking associations to consist of more than a limited number of partners, and the late laws forbidding, except in Scotland, the issue of notes under five pounds. The same liberty seems to have originally existed in the United States, but has subsequently been restrained by their several laws to incorporated banks. A solitary exception is to be found in Mr. Stephen Girard's Bank, which was previously established, and which, from his great wealth, skilful caution, and personal character, is justly entitled to as much credit as any chartered bank in the United States. Congress has not, however, passed any law preventing the issue of notes by the corporation of the city of Washington, and there is still a small amount of paper in circulation, issued by the state of North Carolina. In every other respect, the currency of the United States, so far as it consists of notes, is strictly confined to bank notes issued by chartered companies.

A bill of exchange, drawn by an individual or individuals, who do not issue notes having the character of currency, appears to us to be clearly distinguishable from a bank note, though it is a substitute, and lessens the amount of currency which would otherwise be required. A payment made in bank notes is a discharge of the debt, the creditor having no further recourse against the person from whom he has received the notes, unless the bank had previously failed. The bill of exchange does not discharge the debt, the person who receives it having his recourse against the drawer and every preceding endorser, in case the drawee should fail or refuse to pay. But the essential distinction is, that the bills of exchange are only a promise to pay in currency, and that the failure of the drawers, drawees and indorsers does not, in the slightest degree, affect the value of the currency itself, or impair that permanent standard of value by which the performance of all contracts is regulated. The case is, however, quite

different, when the bills are drawn by a bank authorized to issue bank notes which make part of the currency. We perceive no difference between such drafts, particularly when paid at sight, and either post notes or ordinary notes. Five dollar drafts, drawn by the branches of the Bank of the United States on the bank, circulate at this moment in common with the usual five dollar notes. Similar drafts, varying in amount to suit the convenience of purchasers, are daily drawn by the bank on its offices, and by those offices on each other or on the bank. Many of those drafts pass through several hands, and circulate several months, in distant parts of the country, before they are presented for payment. The holders of those bills have the same security, the same recourse against the bank, as the holders of bank notes. Those bills are of the same character, depend on the same security, and in case of failure would share the same fate with bank notes. Though not usually included in the amount of the circulation of the bank, we cannot but consider the average amount in actual circulation, as making part of the currency of the country. A question somewhat more difficult arises with respect to credits in account current on the books of the banks, commonly designated in the United States by the name of "deposits," and which may perhaps be more easily solved by reducing it to its most simple form, that is to say, by first considering banks purely of deposit.

That of Hamburg, which still exists, is the most perfect of the kind. It neither issues bank notes, nor discounts notes or bills of exchange, but only receives silver in bars on deposit. For every bar containing a certain weight, called "marc of Cologn," (equivalent to 3,608 grains troy weight,) of silver of a certain standard,* the bank gives a credit on its books of 442 lubs B^co. (27 marcs 10 lubs B^co.) money of account. Any person having a credit on the books of the bank, may be paid in similar bars at the rate of 444 lubs B^co. for a marc weight of Cologn of silver of the same standard. The difference, which is less than one-half per cent., defrays the expenses of the establishment. All the large payments are effected in Hamburg by checks on the bank, and by a corresponding transfer of the credit on its books from one individual to another. The utility of the establishment consists not only in the greater convenience and rapidity with which the payments are effected, but also in having substituted silver of an uniform standard, to a currency which consisted of German coins, varying in standard weight and denomination. The aggregate amount of credits on the books of the bank, being at all times precisely equal, at the rate above

* Containing, according to most authorities, forty-seven parts pure silver, and one part of alloy.

mentioned, to the quantity of silver in its vaults, it would be incomprehensible, and, indeed, absurd, to suppose, that such large capital, having an intrinsic value, should voluntarily be buried in the vaults, unless its representative, or the credits on the books of the bank, performed every office of currency. It is undeniable that this is the fact in every respect, every payment being effected by transfers of those credits, and their convertibility at any time into a determined weight of pure silver, affording the best possible standard of value. This indeed regulates exclusively the value of all the coins, whether in circulation for small payments, or brought to market as bullion.

Let it be supposed now, that it had been found from long experience, that the quantity of silver in the vaults, through all its fluctuations, had never been less than a certain sum, equivalent, for instance, to two millions of dollars. The directors of the establishment might conclude that this amount would, under no circumstances whatever, be withdrawn, or in other words, that this sum was the minimum of the currency wanted to effect the payments made in bank. They might therefore think themselves justifiable, in withdrawing that dormant capital from the vaults, and converting it into an active capital, by lending it to individuals. In this case, the amount of credits on the books of the bank would remain the same, as if that sum in silver had not been withdrawn from its vaults; and all the payments effected by the transfers of those credits would continue to be made precisely as theretofore. The amount of those credits would therefore continue to be, in every respect, the currency of Hamburg, differing from what it was formerly, only in being sustained by a less amount of specie, and in depending, for its ultimate security, on the solidity of those to whom the silver withdrawn from the vaults had been loaned.

What we have stated as a supposititious case, actually took place in the Bank of Amsterdam, constituted on nearly the same principles as that of Hamburg; and from which the directors secretly withdrew more than four millions of dollars, which they lent principally to the Province of Holland and to the City of Amsterdam. And it is, as is well known, what is always done openly and in perfect good faith by all our banks, as well as by the Bank of England and by that of France. The credits in account current or "deposits" of our banks are also, in their origin and effect, perfectly assimilated to bank notes. Any person depositing money in the bank, or having any demand whatever upon it, may at his option be paid in notes, or have the amount entered to his credit on the books of the bank. The bank notes and the deposits rest precisely on the same basis; for immediate payment on the amount of specie in the vaults; for ultimate security on the solidity of the debtors of the bank. In case of a

run upon a bank, or of its failure, the security of the holders of notes is lessened in proportion to the amount of deposits due by the bank. We can in no respect whatever perceive the slightest difference between the two; and we cannot therefore but consider the aggregate amount of credits payable on demand, standing on the books of the several banks, as being, to all intents and purposes, part of the currency of the United States. This, it appears to us, embraces not only bank notes, but all demands upon banks payable at sight, and including their drafts and acceptances. If, in comparing the amount of currency in different countries, we have only included specie and actual issues of paper, it was partly in conformity with received usage, and partly from want of information respecting the amount, in other countries, of the bank credits, which may be considered as perfectly similar to our deposits.

It is well known that the Bank of England, three banks in Scotland, and the Bank of Ireland, are the only chartered banking institutions in the United Kingdom. The capital of the Bank of England, amounting now to fourteen millions pounds sterling, has been loaned altogether to government, at an interest of 3 per cent., and is not to be reimbursed till the expiration of the charter. All the other banks of England, commonly called country banks, consist of private co-partnerships, without any determined capital, and the members of which are liable to the same responsibilities as any other commercial houses. With the exception of Mr. Girard's Bank, all the banks established in the United States are joint stock companies incorporated by law, with a fixed capital, to the extent of which only the stockholders are generally responsible.* The business of all those banks consists, in receiving money on deposit, in issuing bank notes, and in discounting notes of hand or bills of exchange. A portion of the capital is sometimes vested in public stocks; but this is not obligatory; and in this they differ essentially from the Bank of England. The capital of this institution, being loaned to government, and not depending on the solidity of the paper discounted, affords a stable guarantee to the holders of notes and to the depositors. The bank can loan to individuals, or advance to government (beyond its capital as above mentioned) nothing but the difference, between the aggregate of its notes in circulation, and of the credits in account current on its books, and the amount of specie in its vaults. But the American banks lend to individuals, not only that difference, but also the whole amount of their capital, with the exception only of such portion, as they may find it convenient, but are not obliged to vest in public stocks. It follows that the security of the holders of notes, and

* The stockholders are made personally responsible in some of the states.

of the depositors generally, rests exclusively on the solidity of the paper they have discounted. It might seem, on the other hand, that, as the Bank of England cannot apply its original capital to any immediate use, whilst the Amercian banks may, by curtailing their discounts, call in their capital on any emergency, they might, without risk, put in circulation a greater proportionate amount of notes. But such curtailment can never be made to any considerable extent, without causing much distress; and, in point of fact, a large portion of their loans consist of what the merchants consider as permanent accommodation, and, in the country, often rests on real security. This departure from what has been generally deemed the true banking principle, must, it is believed, be ascribed to the original disposition of the charter.

Whenever therefore an American bank is in full operation, its debts generally consist, 1st, to the stockholders, of the capital; 2d, to the community, of the notes in circulation and of the credits in account current, commonly called deposits: and its credits, 1st, of discounted notes or bills of exchange and occasionally of public stocks; 2d, of the specie in its vaults and of the notes of, and balances due by, other banks; 3d, of their real estate, either used for banking purposes or taken in payment of debts. Some other incidental items may sometimes be introduced; a part of the capital is occasionally invested in road, canal, and bridge stocks, and the debts, secured on judgments, or bonds and mortgages, are generally distinguished in the official returns of the banks. In order to give a clear view of the subject, we annex an abstract of the situation of the thirty-one chartered banks of Pennsylvania, in November, 1829.

Capital,		$12,032,000
Notes in circulation,	$7,270,000	16,028,000
Deposits,	8,758,000	
Surplus funds,		1,142,000
		$29,202,000
Bills discounted,		$17,526,000
Public stocks,*		4,620,000
Road, canal, and bridge stocks,		
Debts secured on mortgages, &c.		
Real estate,		1,310,000
Notes of other banks,		3,338,000
And due by other banks,		
Specie,		2,408,000
		$29,202,000

* The public stocks are not distinguished from others in the statement of the Bank of Pennsylvania. Those held by the other banks amount to $1,588,000.

It will be easily perceived, 1st, that what is called the surplus, and sometimes the reserved or contingent fund, is nothing more than that which balances the account, or the difference between the debits and credits of the banks; and that, in order to be enabled to repay, at the expiration of the charter, to the stockholders, the full amount of their stock, that fund or difference ought, in every sound bank, to be sufficient to cover all the bad debts, and all the losses, which may be incurred on the sale of the various stocks held by it, and of its real estate: 2dly, that the deposits may at any time be converted into bank notes, and that both ought, in correct language, to be included under the denomination of circulation: 3dly, that the notes of other banks on hand, form no part of the circulation, and ought, when considering the banking system as a whole, to be deducted from the amount of the notes in circulation; and that, for the same reason, inasmuch as the balances due to other banks by the several banks, are included in the deposits, the balances due by such other banks ought also to be deducted from that item, which would reduce the aggregate of those two items, in the preceding statement, to twelve millions six hundred and ninety thousand dollars: 4thly, that the capital is the only item in the account apparently invariable, though it may occasionally be increased by legislative permission, and lessened by purchases of their own stock by the banks; and that all the other items are variable, and do vary according to the operations of the banks: 5thly, that supposing the second and third items of credits to remain the same, the circulation, or aggregate of deposits and notes in circulation, cannot be either increased or decreased, without a corresponding decrease or increase, either of the bills discounted, or of the specie, or of both: 6thly, that by limiting by law the amount of the debts due to the banks, as included in the two first items of the credits, to a sum bearing a certain ratio to the capital, and by likewise limiting, in a similar manner, the gross amount of the notes in circulation, both those limitations being always under the control of the banks, excessive issues may be prevented: 7thly, that if the situation of the banks of Pennsylvania in the aggregate be taken as a proper basis for those limitations, the whole amount of debts due to a bank ought not to exceed twice, nor the gross amount of its notes in circulation, two-thirds of the amount of its capital. But it must not be forgotten, that, although those limitations would be useful in checking the amount of loans and issues, the ultimate solvency of a bank always depends on the solidity of the paper it discounts.

The capital of the state banks existing in the year 1790, amounted to about two millions of dollars. The former bank

of the United States was chartered in 1791, with a capital of ten millions. The charter was not renewed; but in January, 1811, immediately before its expiration, there were in the United States eighty-four state banks, with a capital of forty-two millions eight hundred and eighty thousand dollars, making then, together with that of the national bank, a banking capital of near fifty-three millions. In June, 1812, war was declared against England; and in August and September, 1814, all the banks south and west of New-England suspended their specie payments.

It has always been found difficult to ascertain with precision the causes which, in each special case, produce an extraordinary drain of specie, and compel a bank to suspend its payments. Although it clearly appears that very large and unforeseen advances to government were the immediate cause of the suspension of the payments of the Bank of England in the year 1797, it would seem, at this distance of time, to have been easy to prevent that occurrence. The bills of exchange from abroad on government, or any other floating debt, for the payment of which the bank was required to make those advances, might with facility have been converted into funded debt. And when we find, that, in less than seven months after the suspension, the bank declared, by a solemn resolution, that it was enabled to issue specie, and could with safety resume its accustomed functions, if the political circumstances of the country did not render it inexpedient, it is hardly possible to doubt that the suspension, in its origin, as well as in its continuance, was a voluntary act on the part of government. Opinions are however divided to this day on that subject; and some distinguished English writers ascribe that event to some unaccountable panic. There can be no doubt, that there was a great and continued run on the bank for specie prior to the suspension; and what renders the transaction still more inexplicable, is, that, almost immediately, and during some years after the suspension had actually taken place, the bank notes, though no longer convertible into specie, were at par. The question is not free of difficulty as respects the similar event in the United States.

The following reasons were assigned by the directors of the chartered banks of Philadelphia, in an address to their fellow-citizens, dated the 30th of August, 1813.

"From the moment when the rigorous blockade of the ports of the United States prevented the exportation of our produce, foreign supplies could be paid for in specie only, and as the importation of foreign goods in the Eastern States has been very large, it has for many months past occasioned a continual drain from the banks. This drain has been much increased by a trade in British Government Bills of Exchange, which has been extensively carried on, and has caused very large sums to be exported from the United States.

"To meet this great demand for specie, the course of trade did, for a considerable time, enable us to draw large supplies from the Southern States—but the unhappy situation of affairs there, having deprived us of that resource, and circumstances having occurred, which have in a considerable degree occasioned alarm and distrust, it became a serious consideration, whether the banks should continue their exertions to draw within their vaults the specie capital of the country, and thus facilitate the means of exporting it from the United States,—or whether they should suspend the payment of specie, before their means were exhausted."

The great drain from the east, alluded to by the Philadelphia banks, is proved by the comparative view of the specie in the vaults of the banks of Massachusetts, in June 1814, immediately before the suspension of payments, and on the same days of the preceding and succeeding years.—

This amounted on	the 1st of	June	1811	to	$1,709,000
"	"	"	1812	"	3,915,000
"	"	"	1813	"	6,171,000
"	"	"	1814	"	7,326,000
"	"	"	1815	"	3,915,000
"	"	"	1816	"	1,270,000

And the fact, that a large amount of British government bills was sent to this country from Canada in the years 1812 and 1813, and sold at 20 and 22 per cent. discount, is corroborated by authentic information from several quarters. Other causes, however, concurred in producing the suspension of specie payments.

1. The circulating capital of the United States, which must supply the loans required in time of war, is concentrated in the large cities, and principally north of the Potomac. The war was unpopular in the Eastern States; they contributed less than from their wealth might have been anticipated; and the burthen fell on the Middle States. The proceeds of loans, (exclusively of Treasury notes, and temporary loans,) paid into the Treasury from the commencement of the war to the end of the year 1814, amounted to forty-one millions ten thousand dollars.—

Of that sum the Eastern States lent, - - - - -	$ 2,900,000
New-York, Pennsylvania, Maryland, and the District of Columbia,	35,790,000
The Southern and Western States, - - - - -	2,320,000

The floating debt, consisting of outstanding Treasury notes and temporary loans unpaid, amounted, on the 1st of January 1815, to eleven millions two hundred and fifty thousand dollars, about four-fifths of which were also due to the Middle States. Almost the whole of the large amount, advanced to government in those States, was loaned by the cities of New-York, Philadelphia, and Baltimore, and by the District. The banks made advances beyond their resources, either by their own subscriptions or by

enlarging their discounts in favour of the subscribers. They, as well as several wealthy and patriotic citizens, displayed great zeal in sustaining government at a critical moment; and the banks were for that purpose compelled to enlarge their issues.

2. The dissolution of the Bank of the United States deprived the country of a foreign capital of more than seven millions of dollars, vested in the stock of that institution, and which was accordingly remitted abroad during the year that preceded the war. At the same time, the state banks had taken up a considerable part of the paper formerly discounted by that of the United States. As the amount of this exceeded fifteen millions, their aid in that respect was absolutely necessary, in order to prevent the great distress, which must have otherwise attended such diminution of the usual accommodations.

3. The creation of new state banks, in order to fill the chasm, was a natural consequence of the dissolution of the Bank of the United States. And, as is usual under such circumstances, the expectation of great profits gave birth to a much greater number than was wanted. They were extended through the interior parts of the country, created no new capital, and withdrew that which might have been otherwise lent to government, or as profitably employed. From the 1st of January 1811, to the 1st of January 1815, not less than one hundred and thirty-seven new banks were chartered and went into operation, with a capital of about forty, and making an addition of near thirty millions of dollars to the banking capital of the country. That increase took place on the eve of, and during a war which did nearly annihilate the exports, and both the foreign and domestic commerce. And, the salutary regulating power of the Bank of the United States being removed, the issues were accordingly increased much beyond what the other circumstances already mentioned rendered necessary. We have obtained returns of the circulation and specie, for the latter end of the years 1810, 1814, and 1815, though not all of the same precise date, of a sufficient number of banks to enable us to make an estimate of the whole, which cannot vary essentially from the truth. Our returns of the amount of deposits are too partial for insertion; our authentic returns embrace generally the states of Massachusetts, New-Hampshire, Rhode Island, Pennsylvania, Maryland, Virginia, and the District of Columbia, and give the following result:

On or near	Capital.	Notes in circulation.	Specie.
1st Jan'y. 1811— 50 State Banks,	$24,618,551	13,081,328	5,673,442
——— 1815—133 " "	44,257,526	21,995,523	11,452,780
——— 1816—137 " "	49,966,755	29,607,297	8,088,029

Having the amount of the capital and a few general returns of all the other banks, partly guided by analogy, and partly by

their respective dividends, we annex the following estimate of the whole.

	Capital.	Notes in circulation.	Specie.
1st January 1811—Bank of the U. S.	10,000,000	5,400,000	5,880,000
84 State Banks,	42,510,000	22,600,000	9,120,000
Total,	52,510,000	28,000,000	15,000,000
1815—221 State Banks,	82,620,000	44,700,000	17,000,000
1816—242 " "	90,800,000	66,500,000	19,000,000

The unequal distribution of the specie on the 1st of January 1815, must be recollected.

	Capital.	Circulation.	Specie.
At that time the banks of the four states of Maine, Massachusetts, Rhode Island, and New-Hampshire, had	$ 15,690,000	5,320,000	8,200,000
The states of Pennsylvania and Maryland, with the District of Columbia, had	26,000,000	13,750,000	3,000,000
And all the other states	40,930,000	25,630,000	5,800,000

The increase of issues, from about forty-five to near sixty-seven millions, or of about 50 per cent., within the first fifteen months of the suspension of specie payments, was the natural consequence of that event. We must observe, that, where we were obliged to resort to an estimate, the amount of bank notes is set down rather too low than too high. Yet, we are confident, that for the three dates we have given, the actual amount cannot have exceeded thirty, forty-seven, and seventy millions respectively. This last sum falls very short indeed of the one hundred and ten millions which were supposed to have been put in circulation by the banks, but is quite sufficient to account for the depreciation. It is equal to the present amount of the currency; and as the increase of wealth during the last fourteen years has at least been in the same proportion as that of the population, the amount which could have been wanted at that time may be estimated at about forty-six millions, including both paper and specie. It is therefore clear that the forty-five millions in bank notes, which had been put in circulation by the state banks before the year 1815, were more than could have been long sustained, preserving at the same time their convertibility into specie. Under those circumstances, the alarm caused by the capture of Washington, and the threatened attack on Baltimore, was sufficient to cause a suspension of specie payments. It took place at that particular crisis, and appears to have originated in Baltimore. The example was immediately followed in Philadelphia and New-York; and it is indeed known, that an attack was apprehended on both those places, and that some of the banks of Philadelphia had sent their specie to Lancaster.

We have stated all the immediate and remote causes within

our knowledge, which concurred in producing that event; and although the effects of a longer continuance of the war cannot be conjectured, it is our deliberate opinion, that the suspension might have been prevented, and would not have happened at the time when it took place, had the former Bank of the United States been still in existence. The exaggerated increase of state banks, occasioned by the dissolution of that institution, would not have occurred. That bank would, as before, have restrained within proper bounds, and checked their issues: and, through the means of its offices, it would have been in possession of the earliest symptoms of the approaching danger. It would have put the Treasury Department on its guard; both acting in concert, would certainly have been able at least to retard the event; and, as the treaty of peace was ratified within less than six months after the suspension took place, that catastrophe would have been altogether avoided.

We have already adverted to the unequivocal symptoms of renewed confidence shown by the rising value of bank notes, which followed the peace. This would have greatly facilitated an immediate resumption of specie payments, always more easy, and attended with far less evils, when the suspension has been of short duration. The banks did not respond to that appeal made by public opinion; nor is there any evidence of any preparations, or disposition on their part, to pay their notes in specie, until after the act to incorporate the new Bank of the United States had passed. We are inclined to ascribe this principally to the great difficulty of bringing the various banks, in our several commercial cities, to that concert which was indispensable. But it cannot be concealed, that, in such situation, the immediate and apparent interest of the banks is in opposition to that of the public. It is well known, that the Bank of England, though apparently disposed at first to resume its specie payments, found a continued suspension extremely convenient and profitable; that during that period of twenty years, its extraordinary profits, besides raising the usual dividend from 7 to 10 per cent., amounted to thirteen millions of pounds sterling, and that it accordingly threw obstacles in the way of the resumption. The state banks of the United States were only inactive in that respect, and did not impede that desirable event: but they used the advantages incident to the situation in which they were placed; and to what extent their issues were generally increased, has already been shown.

It will not be asserted, that any reasonable expectation could have been entertained of a voluntary return on the part of the state banks to a sound currency, unless the depreciation had become so great as to induce the community at large to reject their notes. Whether this arose from inability or unwillingness,

a remedy was equally necessary. Congress does not appear to have inquired whether they had the right to exercise any immediate control over the issues of those banks; and the question seems to have laid between the establishment of a national bank, and an attempt to force the state banks to pay in specie, by the refusal of their notes in payment of debts and duties due to the United States, so long as those notes were not on demand discharged in specie. It is clear that such an attempt must have failed altogether, during the year that followed the peace, and so long as the expenses of government greatly exceeded its receipts. The bank was chartered in April, 1816, and it must forever remain conjectural, whether, if that measure had not been adopted, and after the floating debt, and all the arrearages of the war had been paid or funded, and the receipts of the treasury had become greater than its disbursements, an attempt, on the part of the government, to collect the revenue, and to discharge the public expenses in specie, would have compelled the state banks to resume generally specie payments. It cannot, at all events, be doubted, that the result was quite uncertain, and that the attempt might have failed at the very outset, from the want of any other currency than bank notes. It is indeed quite probable, that, in that case, the impossibility to collect the revenue, might have induced government merely to substitute an issue of their own paper for that of the banks.

It will be found, by reference to the Report of the Secretary of the Treasury of December 1815, that his recommendation to establish a National Bank was, in express terms, called "a proposition relating to the national circulating medium," and was exclusively founded on the necessity of restoring specie payments and the national currency. He states it as a fact incontestably proved, that the state banks could not at that time be successfully employed to furnish an uniform national currency. He mentions the failure of one attempt to associate them with that view; that another attempt, by their agency in circulating Treasury notes, to overcome the inequalities of the exchange, has only been partially successful; that a plan recently proposed, with the design to curtail the issues of bank notes, to fix the public confidence in the administration of the affairs of the banks, and to give to each bank a legitimate share in the circulation, is not likely to receive the general sanction of the banks; and that a recurrence to the national authority is indispensable for the restoration of a national currency. Such was the cotemporaneous and deliberate opinion of the Officer of the Government, who had to struggle against the difficulties of a paper currency, not only depreciated, but varying in value from day to day and from place to place.

* It was not till after the organization of the Bank of the United States, in the latter part of January 1817, that delegates from the banks of New-York, Philadelphia, Baltimore, and Virginia, assembled in Philadelphia, for the purpose of agreeing to a general and simultaneous resumption of specie payments. A compact proposed by the Bank of the United States, acceded to by the state banks, and ratified by the Secretary of the Treasury, was the result of that convention. The state banks engaged to commence and continue specie payments, on various conditions, relative to the transfer and payment of the public balances on their books to the Bank of the United States, and to the sum which it engaged previously to discount for individuals, or under certain contingencies for the said banks, and also with the express stipulation, that the Bank of the United States, upon any emergency which might menace the credit of any of the said banks, would contribute its resources to any reasonable extent in support thereof, confiding in the justice and discretion of the banks respectively, to circumscribe their affairs within the just limits indicated by their respective capitals, as soon as the interest and convenience of the community would admit. To that compact, which was carried into complete effect, and to the importation of more than seven millions of dollars in specie from abroad by the Bank of the United States, the community is indebted for the universal restoration of specie payments, and for their having been sustained, during the period of great difficulty and of unexampled exportation of specie to China, which immediately ensued.

Among the difficulties which the bank had to encounter, must be reckoned the effort made to alleviate the distress which always attends the return from a depreciated, to a sound currency. The Western States having less capital, are, in the course of trade, generally indebted to the Atlantic seaports. Whether owing to larger purchases of public land than usual, to an excited spirit of enterprise, or to any other cause, it appears, that at that time, the amount of debts due by the West, either to the East or to Government, was unusually large. The several western offices of the Bank of the United States discounted largely, probably to too great an extent. The eastern creditors were generally paid, the western state banks relieved, and the debt transferred to the Bank. Thus we find that the issues of the Bank of Kentucky, which in 1816 exceeded one million nine hundred and fifty thousand dollars, were in 1819 reduced to six hundred and seventy thousand dollars. This could not be done, without large issues of branch notes, or of drafts on the Parent Bank,—

* The following details are borrowed from the pamphlet signed "Monitor," which is well known to have come from an authentic source.

and the northern offices which drained these of their capital.* Although great curtailments had taken place, near six millions and a half of dollars of the capital of the bank were, in the spring of the year 1819, distributed amongst the interior western offices, whilst the whole amount allotted to the offices north and east of Philadelphia, was less than one million. The proper equilibrium could not be reinstated without a revulsion and an uncommon pressure on the west, in order to lessen the amount of its debt. The creation, under such circumstances, of a great number of local banks in that quarter, could not but fail, and must have aggravated instead of relieving the evil. The unpopularity which attached to the Bank of the United States, when it found itself compelled to enforce the payment of such large debt, and the attempt to alleviate the distress by relief laws, which, though injudicious, ought not, in that state of things, to be too severely judged, are well known, and were the natural consequences of the course which was originally pursued.

The year 1819 having been one of great difficulty, we annex an estimate of the situation of the banks for the latter end of it. The Secretary of the Treasury gave a partial one, in his report on currency of the year 1820, to which we have made some additions and corrections from bank returns of a nearer date to the 1st of January 1820, than he had then obtained. The portion, on estimate, embraces almost the whole of the banks of Connecticut, New-Jersey, New-York, and Maryland, Mr. S. Girard's, about one-half of those of South Carolina, Louisiana, and Alabama, and one-fourth of those of Kentucky. The returns of those of the other states are complete.

1st January 1820.	Capital.	Notes in circulation.	Deposits.	Specie.
All the ascertained state banks, (Pennsylvania excepted,)	48,653,622	22,776,850	14,489,655	8,673,356
Banks of Pennsylvania, (4 banks excepted,) - - -	6,497,380	1,886,254	1,530,266	780,491
The 4 old Philadelphia banks,	6,384,400	1,395,766	2,766,768	1,222,804
209 ascertained state banks,	61,535,402	26,058,870	18,786,689	10,676,651
92 estimated state banks, -	36,732,361	13,500,000	11,500,000	5,500,000
301 banks, - - - - - - -	98,267,763	39,558,870	30,286,689	16,176,651
United States Bank, -	35,000,000	4,221,770	4,705,511	3,147,977
Total,	133,267,763	43,780,640	34,992,200	19,324,628

It appears from that statement, that the amount of notes in circulation, was only one million less than immediately before the suspension of specie payments; whilst on the other hand, the amount of specie in the vaults of the banks was nearly two millions greater. But it has been seen, that, on the 1st of January

* Mr. Cheves's Exposition.

1816, the paper currency amounted to near sixty-seven millions. So great a reduction in the issues of the banks, could not have been effected without a corresponding diminution of their discounts. Debts contracted during the suspension of specie payments, and whilst the currency was depreciated, became payable at par. The distress, therefore, that took place at that time, may be clearly traced to the excessive number of state banks incorporated subsequently to the dissolution of the first Bank of the United States, and to their improvident issues. Those of the country banks of Pennsylvania alone, amounted, in November 1816, to $4,756,460, and had been reduced in November 1819, to $1,318,976. A committee of the Senate of that state, appointed in December 1819, to inquire into the extent and causes of the present general distress, ascribe it, as we do, to the improvident creation of so many banks, as will appear from the following extract from their report.—

"At the following session, the subject was renewed with increased ardour, and a bill authorizing the incorporation of forty-one banking institutions, with capitals amounting to upwards of seventeen millions of dollars, was passed by a large majority. This bill was also returned by the governor, with additional objections; but two-thirds of both houses (many members of which were pledged to their constituents to that effect) agreeing on its passage, it became a law on the 21st of March, 1814, *and thus was inflicted upon the commonwealth an evil of a more disastrous nature than has ever been experienced by its citizens.* Under this law, thirty-seven banks, four of which were established in Philadelphia, actually went into operation."

The numerous failures which had preceded the year 1819, or have since taken place, have also been principally due to the same causes. We have an account of one hundred and thirty-five banks that failed between the 1st of January 1811, and the 1st of January 1830. The capital of one hundred and twenty-four of these amounted to 22,485,400 dollars, stated as having been paid in. The whole amount may be estimated at twenty-four millions and a half; and our list may not be complete. The capital of the state banks now existing amounts to one hundred and ten millions and a half. On a total capital of one hundred and thirty-five millions, the failures have amounted to twenty-four and a half, or to about two-elevenths of the whole. Of the actual loss incurred, we can give no account. There are instances in which the stockholders, by paying for their shares in their own notes, and afterwards redeeming their notes with the stock in their name, suffered no loss; and this fell exclusively on the holders of bank-notes and depositors. In many cases, where the whole stock has been lost, the holders of notes have nevertheless experienced a partial loss. In the most favourable cases, the stockholders lost a considerable portion of their stock; and all the debts will be ultimately paid. But even then there has been a heavy loss on the community; the notes having been generally sold by the holders at a depreciated rate, at the time

when the failure took place. We believe that the pecuniary loss sustained by the government, on the loans raised during the suspension, and from bank failures, exceeded four millions of dollars.

The active industry of the country has enabled it to recover from that depressed state; and we will now give a view of the situation of the state banks and of that of the United States, at the close of the year 1829. We have returns of two hundred and eighty-one state banks, which have a capital of 94,245,650 dollars. Of the forty-eight other banks we have only the capital, amounting to 16,188,711 dollars, and some incomplete returns; and of thirty banks of the state of New-York, of which we have complete returns, fourteen only are for the 1st of January 1830, the sixteen others being for the 1st of January 1828. This last circumstance makes the amount of specie appear probably one million of dollars less than it actually was at the end of the year 1829. The forty-eight banks, of the situation of which we have no return, are distributed as follows, viz.

In Connecticut,	3
New-York,	7
New-Jersey,	13
Pennsylvania,*	1
Maryland,	4
South Carolina,	4
Louisiana,	1
All those of the states of Ohio and Tennessee, and of the territories of Michigan and Florida,	15

Estimating these in the same manner as in the preceding statements, we have the following results:

I. For the states of Maine, New-Hampshire, Vermont, Massachusetts, and Rhode-Island,

Capital,	$30,792,602
Notes,	7,396,035
Deposits,	4,151,621
Specie,	2,202,939

For the states of Connecticut, New-York, and New-Jersey,

Capital,	$26,585,539
Notes,	12,537,539
Deposits,	14,544,145
Specie,	2,741,746

For the states of Pennsylvania, Delaware, Maryland, and the District of Columbia,

Capital,	$25,566,622
Notes,	11,274,086

* Mr. Girard's bank, the capital of which is rated at $1,800,000, being the sum on which the stamp duty was formerly paid.

Deposits, - - - - - - - - - - - - - -	$10,850,739
Specie, - - - - - - - - - - - - - - -	4,170,592

For the four Southern States,

Capital, - - - - - - - - - - - - - - -	$17,600,129
Notes, - - - - - - - - - - - - - - -	12,183,863
Deposits, - - - - - - - - - - - - - -	6,952,194
Specie, - - - - - - - - - - - - - - -	3,046,141

For the Western States,*

Capital, - - - - - - - - - - - - - - -	$9,889,469
Notes, - - - - - - - - - - - - - - -	5,144,310
Deposits, - - - - - - - - - - - - - -	4,140,972
Specie, - - - - - - - - - - - - - - -	2,757,935

II. Distinguishing the cities of Boston, Salem, New-York, Philadelphia, Baltimore, Charleston, and New-Orleans, from the rest.

	Seven cities.	Remainder of the United States.
Capital, - - - -	$53,211,605	$57,222,756
Notes, - - - -	17,144,422	31,391,411
Deposits, - - -	23,137,129	17,502,542
Specie, - - - -	7,258,025	7,661,328

III. Situation of the Bank of the United States, on the 1st of November, 1829.—

CR.			DR.	
Funded debt, - - - -		$11,717,071	Capital, - - - - - - -	$34,996,270
Notes discounted, - - -	$32,541,124		Notes in circulation, - -	15,844,984
Domestic bills,	7,476,321		Deposits, - - - - -	14,778,809
		40,017,445	Surplus fund, after deducting losses already chargeable to it, including that of Baltimore,	2,766,129
Foreign account, - - -		1,161,001		
Due from banks,	843,551			
Notes of ditto,	1,531,528			
		2,375,079		
Specie, - - - - - - -		7,175,274		
Real estate, - - - -		3,876,404		
Balance *in transitu* from bank and offices to each other, - - - -		2,063,918		
		$68,386,192		$68,386,192

IV. The progressive improvement of the Bank of the United States, and the talent with which it has been administered, are exhibited in the following comparative view of the principal

* There are not now any state banks in operation in the states of Kentucky, Indiana, Illinois, and Missouri.

items of its situation, on the first days of November, 1819 and 1830.—

November 1.	1819.	1830.
Notes discounted on Bank Stock,	$7,759,980	719,195
Notes discounted on personal security,	21,423,622	32,665,035
Domestic Bills, - - - - - - - -	1,386,174	7,954,290
Deposits, - - - - - - - - - - -	4,705,512	12,650,752
Specie, - - - - - - - - - - -	3,147,977	11,436,175
Due to Baring, Brothers & Co. - -	2,333,937	
Due from ditto, - - - -		2,778,653
Bank notes issued, - - - - - - -	4,221,770	18,004,680
deduct in transitu, - - - -	411,659	2,823,135
In actual circulation, - - -	$3,810,111	15,181,545

V. The following estimate gives the general result for the end of the year 1829.—

	Capital.	Notes.	Deposits.	Specie.
281 Banks ascertained, -	94,245,650	39,135,833	32,139,671	11,919,353
48 do. estimated, - -	16,188,711	9,400,000	8,500,000	3,000,000
329* - - - - - - - -	110,434,361	48,535,833	40,639,671	14,919,353
United States Bank, - -	35,000,000	15,844,984	14,778,809	7,175,274
	145,434,361	64,380,817	55,418,480	22,094,627

It will be perceived, by the last item of No. IV, that there is always a large amount of the notes of the Bank of the United States, issued and inserted in the usual returns, which are not in actual circulation. They consist of notes received in payment of duties, or otherwise, by other offices than those by which they had been issued, and transmitted back to them. The amount, at the end of 1829, was about two millions of dollars. On the other hand, the drafts from the bank on offices, and from those on the bank and on each other in actual circulation, should, as has been observed, be considered as making part of it. The total annual amount of those drafts is about twenty-four millions of dollars, and they are on an average paid within fifteen days after being issued. The amount always in circulation may, therefore, be estimated at one million, which, deducted from the last mentioned two millions of bank notes, *in transitu*, leaves a sum of less than fifteen millions for the actual circulation in notes of the bank. We may therefore estimate the total

* We have not included in this amount several banks lately chartered, but not in operation on the 1st of January, 1830.

amount of the paper currency of the United States, on the 1st of January, 1330, at about sixty-three millions five hundred thousand dollars.

All the banks receive notes issued by the other institutions, the returns of which, that have been obtained, being incomplete, have not been inserted in the preceding statements. From an examination of a number of these, in various sections of the country, and embracing banks with an aggregate capital of more than twenty millions of dollars, we think that the notes of that description make more than one-fifth of the total amount of their issues, in those situated north of the Potomac, and about one-eighth in the Southern States. The average of notes of state banks on hand, in the bank of the United States and its offices, amounted, during the year 1829, to about one million and a half. There is, therefore, always a sum of about nine or ten millions of dollars, or not less than one-seventh part of the whole amount issued, which is not in actual circulation. If the banks did not receive any notes but their own, it would seem that a nearly equal amount of these would be returned upon them, and that the real amount of the circulation should not be estimated at more than fifty-four or fifty-five millions of dollars. We have however adopted throughout the usual mode of computation.

If to the amount of notes we add the deposits, we will have a total of either one hundred and ten, or one hundred millions, according to each of those two modes of computing, for the circulation of all the banks. This is sustained by a sum of twenty-two millions in specie, which makes no part of the circulation. There are no means of ascertaining correctly the portion which consists of the precious metals. The silver coinage of England forms nearly one-seventh part of the whole circulation of that country. At that rate, that of the United States, allowing for the various considerations which may affect the question, cannot be estimated at more than ten millions. It is well known, that gold has been altogether excluded by the mint regulations.

We have therefore the following results, according to the view of the subject which may be adopted.

Gross amount of notes issued,	- - - - -	$63,500,000
Silver coins,	- - - - - - - - - - - - -	10,000,000
Usual mode of computing,	1, - - - -	73,500,000
And if deposits are included,	- - - - -	54,500,000
	2, - - -	$128,000,000

But if the bank notes of other banks on hand are deducted, the notes in circulation will be,		$54,000,000
Silver,		10,000,000
	3,	64,000,000
And if deposits are included,		54,500,000
	4,	$118,500,000

Although we have freely expressed our opinion, that, taking into consideration all the circumstances which belong to the subject, it might have been preferable in the United States to have had nothing but a metallic currency, we are quite aware that this is not at this time the question. We are only to inquire, whether any other or better security can be found, than that which is afforded by the Bank of the United States, against either the partial failures of banks, the want of an uniform currency, or a general suspension of specie payments. The great difficulty arises from the concurrent, and perhaps debateable jurisdiction of the general and state governments: and we are to examine, not only what are the provisions necessary to attain the object intended, but also by what authority the remedy must be administered.

The essential difference between banking and other commercial business, is, that merchants rely, for the fulfilment of their engagements, on their resources, and not on the forbearance of their creditors, whilst the banks always rely, not only on their resources, but also on the probability that their creditors will not require payment of their demands. We have already seen, that this probability is always increased or lessened, in proportion as the issues of the banks are moderate or excessive. One of the most efficient modes to reduce the amount of bank notes, as compared to the total amount of the currency of the country, consists in the increase of the metallic currency which circulates amongst the people, independent of that which is kept in reserve in the vaults of the banks. It is evident, that, inasmuch as only a certain amount of sound currency is wanted, and can be sustained, that part which consists of bank notes must be lessened, and thereby made safer, as the metallic portion is increased. Whenever also the specie of the banks is drained by any extraordinary demand whatever, delays, and often difficulties, may arise in the importation of a supply from abroad; which is, however, the only resource, when the circulating metallic currency has nearly disappeared.

We have had an opportunity to witness in France the salutary effects of a currency consisting principally of the precious metals, not only in cases of great national difficulty, but also for

the specific purpose of reinstating a bank momentarily endangered by over issues of paper. But we prefer referring to the evidence of a very able and practical witness, who was also deeply interested in the issue, and we will extract this, from the work of another distinguished and practical writer.*

"Of the comparative facility with which the coffers of a bank which has suffered too great a reduction of its reserves by imprudent issues of paper may be replenished out of a circulation consisting in great proportion of coin, notwithstanding a coincident demand for large payments abroad, a strong instance is afforded in the case of the Bank of France, in 1817 and 1818. The circumstance is thus stated in Mr. Baring's evidence in March 1819. (Vide Report of Lords' Committee on the resumption of cash payments, p. 103.) Speaking of a drain which that bank had experienced, he says :—

"Their bullion was reduced, by imprudent issues, from one hundred and seventeen millions of francs, to thirty-four millions of francs, and has returned, by more prudent and cautious measures, to one hundred millions of francs, at which it stood ten days ago when I left Paris. This considerable change took place since the first week in November, when the amount of specie in that bank was at its lowest. It must, however, be always recollected, that this operation took place in a country, every part of the circulation of which is saturated with specie, and, therefore, no inference can be drawn in favour of the possibility of so rapid an operation in this country, where, owing to the absence of specie in circulation, the supply must entirely come from abroad ; for in Paris, though some portions may have come from foreign countries, the great supply must undoubtedly have come through all the various small channels of circulation through that kingdom."

"Again, in the same evidence, p. 105:—

"Q. Has not France, after two years of great scarcity in corn, and two years of foreign contribution, been able to contribute a proportion of the precious metals to the wants of Russia and Austria ?

"A. Undoubtedly, the precious metals have been supplied from France to Russia and Austria, and shipped, to a considerable amount, to America, notwithstanding the payments to foreign powers, and very large payments for imported corn, whilst, at the same time, wine having almost totally failed for several years past, they were deprived of the most essential article of their export."

"And, in reference to these payments, in the preceding answer, Mr. Baring states, that they 'produced no derangement whatever of the circulation of that country (France.)'

"It may not be unimportant further to remark, that the state of the currency in France, ever since the suppression of the assignats, appears to be decisive of the great advantages attending a metallic circulation, in times of political difficulty and danger. On no one great occasion did her efforts appear to be paralyzed, or even restricted, by any derangement of the currency ; and in the two instances of her territory being occupied by an invading army, there does not appear to have been any material fluctuation in its value."

We perceive but two means of enlarging the circulating metallic currency, 1st, the suppression of small notes; 2d, the measures necessary to bring again gold into circulation.

* Tooke on Currency.

The first measure is that, which, after long experience, a most deliberate investigation, and, notwithstanding a strenuous opposition by the parties interested, has been finally adopted and persevered in by the government of Great Britain. By the suppression of all notes of a denomination less than £ 5 sterling, in England, Wales, and Ireland, the amount of the circulating metallic currency has become equal to that of bank notes of every description. That metallic currency consists of eight millions sterling in silver, which is receivable only in payments not exceeding forty shillings, and in twenty-two millions sterling in gold. This measure has given a better security against fluctuations in the currency, and a renewal of a suspension of specie payments, than had been enjoyed during the thirty preceding years. In France, where the Bank of France is alone authorized to issue bank notes, and none of a denomination under five hundred francs, its circulation hardly ever reaches ten millions sterling, or about one-tenth part of the currency of the country. In the United States, all the banks issue notes of five dollars. The states of Pennsylvania, Maryland, and Virginia, and perhaps some others, have forbidden the issue of notes of a lower denomination, to the great convenience of the community, and without experiencing any of the evils which had been predicted. We have seen, in Pennsylvania, the chasm occasioned by that suppression instantaneously filled by silver, without the least diminution in the amount of currency. We cannot but earnestly wish, that the other states may adopt a similar measure, and put an end to the circulation of the one, two, and three dollar notes, which is of no utility but to the banks. Those small notes are, as a currency, exclusively local, and a public nuisance: and, in case of the failure of any bank, the loss arising from them falls most heavily on the poorest class of the community. We have no other data to estimate the proportion they bear to the whole amount of notes, than the returns of the banks of Massachusetts and Maine, subsequent to January 1825; by which it appears, that, in those states, those small notes make one-fifth part of the whole paper currency. But we would wish to go further than this, and, in order to bring gold more generally into circulation, that all notes under the denomination of ten dollars might be suppressed. The five dollar notes of the Bank of the United States, constitute less than one-sixth part of its circulation, and amount in value to two-thirds of that of its ten dollar notes. From those data, taking into consideration the amount of currency of the states where the small notes do not circulate, and allowing that a portion of the five would be supplied by ten dollar notes, the reduction in the amount of the paper currency, arising from a suppression of the small notes, may be estimated at six or seven, and that produced by the suppression of the five

dollar notes at about eight millions. Both together would probably lessen the paper currency by one-fourth, and substitute silver and gold coins in lieu thereof.

We have already adverted to the erroneous value assigned to gold coins by the laws which regulate the Mint of the United States. The relative value of that metal to silver was, by the law of 1790, fixed at the rate of 15 to 1. In England it was at that time at the rate of about 15.2 to 1; and it had in France, after an investigation respecting the market price of both metals, been established at the rate of 15½ to 1, as early as the year 1785. From that to this time, gold coins have never been below par in that country, and have generally commanded a premium, varying from one-fifth to one per cent., but which, on an average, has been rather less than one-half per cent. This ratio in all those instances is that of gold to silver coins, but the difference is greater between gold and silver bullion. Whether the expense of coinage is defrayed gratuitously by government, or a seignorage is charged to individuals, coins not debased or deteriorated will almost always command a higher price than bullion containing the same quantity of pure metal, both on account of their greater utility, and on account of the cost of coinage. It is only when there is at the same time a redundancy of coin, a scarcity of bullion, and a great demand for plate or other manufactures, that, when the general coinage is sound, coins will be melted, and the price of bullion be equal to that of coins. Should, however, the coinage be deteriorated, new good coins will be melted as soon as they issue from the mint, and there is no remedy but a general recoinage at the public expense. According to the mint laws of England, an ounce of standard gold (containing, like ours, eleven-twelfths pure and one-twelfth alloy) is coined into £3 17*s.* 10½*d.* sterling; and, in the present sound state of its gold coinage, the average price of bullion of the same standard may be estimated as 77.7½. No solid reason can be assigned, why the actual cost of coinage should not be charged by government. In point of fact, the delay of two months, which elapse between the deposit of bullion in the Mint of the United States, and the delivery of the coins, is nearly equal to a charge of 1 per cent., does not assist in defraying the expenses of the mint, and has the disadvantage of being the same on both metals. When the annual silver coinage of our mint reaches three millions of dollars, the expense may be estimated at 1 per cent. The expense on the same value of gold, no silver being coined, would amount to about one-half per cent. The coinage of six millions, half in silver and half in gold, might be estimated at 1 per cent. on the first, and one-fifth per cent. on the gold. It is obvious, indeed, that it is more expensive to coin five silver pieces, worth one dollar each, than one gold piece worth five

dollars. A seignorage at that rate might be advantageously substituted to the present mode, and would only require a moderate constant appropriation, that might enable the mint to pay for the bullion at the time, or at least, within ten days of its delivery.

In France, the mint allows 3091 francs for each kilogramme of standard gold. This is coined into gold coins of the nominal value of 3,100 francs, being a deduction or seignorage of less than three-tenths per cent. The mint price of standard silver is 197 francs the kilogramme, which is coined into silver coins of the nominal value of 200 francs; the deduction or seignorage amounting to 1½ per cent. This is too great, and is, at least in part, the cause of the almost constant premium on gold coins. Whilst the relative value of gold to silver coins is fixed at the rate of 15½ to 1; that of gold to silver bullion, is at the rate of 3.091 : 197, nearly equal to 15.69 : 1. This last ratio cannot essentially differ from the true average market relative price of the two metals, since the mint has been abundantly supplied with both for the last forty-five years.

But whether we estimate that relative value, by deducing it from the premium on the French gold coins, or by assuming that of gold to silver bullion as purchased by the French mint, or at the apparent market rate in England during the three or four last years, which would give respectively the ratios of about 15.6, 15.7, and 15.8 to 1; it is evident that our gold coins are underrated at least 4 per cent. The necessary consequence is the disappearance of gold coins, and their exportation to Europe, whenever the exchange will admit of it. According to that regulation, a ten dollar gold coin, or Eagle, contains 270 grains of standard gold, which, the 20 shillings sterling gold coin, or Sovereign, containing $123\frac{171}{623}$ grains of gold of the same standard, is equal to about 49.6 sterling; or, in other words, about $4.56 in gold coin of the United States, contain a quantity of pure gold equal to that contained in a Sovereign. Allowing 1 per cent. for charges and transportation, our gold coins may commence to be exported to England as soon as the exchange rises to $4.61 per pound sterling; which rate corresponds with nearly 3¾ per cent. above the nominal, and 3 per cent. below the true par, calculating this at the ratio of near 15.6 to 1, or $4.75 per pound sterling. We find by the tables of exchange annexed to the report of the Secretary of the Treasury, that, with the exception of the year of the embargo, unless incidentally for a few days, the exchange on London, from 1795 to 1821, never rose to $4.62 per pound sterling, or about 4 per cent. above the nominal par; or in other words, that during the whole of that period, the exchange was constantly favourable to the United States, having never been higher, with the exception aforesaid, than 2 per cent. below the true par.

This is the reason why our gold coins, though underrated, were not exported, till the year 1821; when the exchange rose from $4.60 to $4.98 per pound sterling; and our gold coins began to be exported, a premium of one-half per cent. upon them being given, when the premium on the nominal par of exchange was 5 per cent., corresponding to an exchange of near $4.67 per pound sterling. From that time to the end of the year 1829, the exchanges have, with few short exceptions, been unfavourable to the United States; and the exportation has continued, not only during that period, but also during the last nine months, though the exchange has this year been but little if any above the true par. It is perfectly clear, that, whilst our gold coins are thus underrated, they will be exported, whenever the exchange rises above $4.61 to $4.64 per pound sterling; and that, if rated according to the true or approximate relative value of gold to silver, they would not be exported to England till the exchange had risen to at least $4.80 to $4.83, or more than 1 per cent. above the true par.

If the intention is to exclude the gold coins altogether, it is quite unnecessary to coin gold. If it is intended that they should make part of the circulation, they must be rated at or near their true relative value. Unless this is done, the circulating metallic never can be sufficiently enlarged to ensure to the country a sound currency. The question, whether the two metals should circulate simultaneously, has never been made a matter of doubt when there has been no paper currency. Both are then indispensable, gold for large payments and principally for remittances and travellers, and silver for small daily payments. The Secretary of the Treasury correctly states, that, "if there were no paper medium like that of the Bank of the United States, circulating freely in all parts of the Union, and every where convertible into the standard, at a very moderate discount, gold coins would be almost indispensable. Without them, every traveller, even from state to state, and often from one county to another, must encumber himself with silver, or be exposed to vexatious embarrassments and impositions." A country which wishes to make gold the only standard of value, is still compelled to admit a silver coinage for small payments. Where silver is the standard, gold would still be found necessary unless supplied by paper. It is true, that so long as five dollar notes exchangeable every where for specie do circulate, gold, though rated at its value, will be less in demand, and that many persons will prefer the notes. But even in that case, both may at least be permitted to circulate concurrently, leaving to every individual the option of either. At all events, if thus rated, they would assist in filling the vaults of the banks, and thereby throw a larger quantity of silver in circulation.

It has been objected to the simultaneous circulation of the two

metals, that the fluctuation in their relative price, increases the uncertainty of the standard. This is true, but not to the extent which a first view of the subject may suggest, and, even to that extent, producing so small an effect that it may be altogether neglected.

There are four contingencies which may cause a fluctuation in the relative price of gold and silver, as *either* may *either* rise or fall, as compared to the value of all other commodities. Supposing a country where silver is made the only legal tender, it is clear that in two of those contingencies, namely, if the price of gold should rise, or if that of silver should fall, every payment would have still been made in silver, if both metals had been a legal tender, and the option given to the debtors to pay with either. As the probability of those several contingencies is perfectly equal, it follows that, in one-half of the fluctuations which may take place in the relative price of the two metals, it is perfectly immaterial, whether one or both are made a legal tender. With respect to the two other contingencies; if the price of silver should rise, that of gold remaining the same as compared to all other commodities, the debtors in the country where both metals were a legal tender, would pay in gold, and therefore in perfect conformity with the original contract; whilst, in the country where silver alone was a legal tender, they would be obliged to pay in that metal, that is to say, to pay a greater value than according to the original; and, on the other hand, if the price of gold should fall, that of silver, as compared to all other commodities, remaining the same, the debtors would, in the country which admitted only silver as a legal tender, be obliged to pay in that metal in conformity with the contract; whilst in the country where both metals were a legal tender, the debtors would pay in gold, that is to say, a sum less than according to the contract. Whatever may be the amount of fluctuation, the stability of the standard of value is not, by adopting only one metal as such, improved to a greater extent than has now been stated. But the fact is, that the fluctuations in the relative price of gold and silver coins are so small in a country where the mint is open to all individuals, and under proper regulations, that, when compared with the variations to which coins issuing from the same mint are liable, they may be altogether disregarded.

It has been somewhat erroneously supposed, that governments might alter by their own regulations the actual relative value of the two precious metals. This might be done to a considerable extent, if these had no intrinsic value; that is to say, if they could be obtained without capital or labour, or if, whatever the cost of production might be, they were of no utility whatever except for currency. In the first case, governments might attach any

value they pleased to either metal in the same manner as is now done with paper money. In the latter case, there being no other demand except that of governments, the price of either metal might be reduced so low, as to compel an abandonment of all the poorer, but not lower than the cost of production at the most fertile mines. But the intrinsic value of the precious metals, combined with the general demand for them, determines their market price. Governments are among the principal, but not the only consumers. If the demand for either gold or silver for the purpose of currency was to cease altogether, it would have an effect on the market price of the metal excluded: but a government, which uses both as currency, cannot affect their permanent relative value. It may, however, to a certain extent, prevent great fluctuations, by coining at all times for all individuals who may bring in bullion, allowing always the same regular price, and paying for it without delay, and without any other charge than the actual cost of coining.

It has already been stated, that the relative mint price of gold and silver bullion in France (about 15.7:1) is very near the average market price of those two metals. And by giving always the same regular price for each, government has, to a certain degree, prevented any great fall in the price of either. It is only during short and extraordinary periods, that the fluctuations have been so great, as that the gold coins did, either fall to the par of silver coins, or rise to a premium of one per cent. During by far the greater part of the period of forty-five years, which has elapsed since that regulation took place, this premium has fluctuated from one-fifth to one-half per cent. so that the variations in the relative value of the two metals have, with the few exceptions above mentioned, been less than one-third per cent. And even these would have been less, had not, as has already been stated, the silver coins been overrated by charging about one-half per cent. too much on their coinage.

It is believed that there is no mint which issues more faithful and perfect coins than that of the United States. The extreme variation from standard fineness, as determined by the annual assay, does not exceed one-fifth per cent. on the silver coins: on the gold coins it is too small to be appreciated. On a large sum as delivered from the mint, the weight, if not precisely accurate, would almost uniformly be found to fail in excess. But trivial deviations in weight on single pieces are unavoidable: they rarely exceed one-third per cent. on the heaviest silver, and are less than one-sixth per cent. on the gold coins. If, to those unavoidable deviations, be added the loss which coins experience by friction, it will be found that they exceed in value the fluctuations in the relative market price of the gold and silver coins issued under proper mint regulations, and therefore that these

are a quantity which may be neglected, and which, in fact, is never taken into consideration at the time of making the contract.

The importance of preserving a permanent standard of value is the leading principle, which we have tried to enforce in this paper; and it is for that express purpose that we consider an alteration in the mint regulations, which alone can bring gold into circulation, as absolutely necessary. The rate heretofore adopted had its origin in a mistake, and was not at all intended for the purpose of excluding gold. It did not produce that effect for thirty years, on account of the favourable rate of exchanges. To persist in it, now that experience has shown the evils it produces, and amongst others the undeniable exportation of gold, and of gold coins, at a time when the exchanges may be three per cent. under the true par, instead of being adherence to the original plan, is an obvious deviation from its avowed object. We are sacrificing reality to a pure shadow, when for the sake of an abstraction, and in order to avoid a contingent and doubtful fluctuation of one-half per cent. in the standard of value, we promote, by the total exclusion of gold from circulation, that increase of the paper currency, which alone can materially endanger that standard.

But even this objection may be removed by raising the mint price of gold only to that rate, which will render it almost impossible that its legal value should ever be higher than its market price. We should, therefore, suggest the adoption, in the relative legal value of the gold and silver coins, of a ratio not much above that of 15.6:1, rather than one nearer to the average relative value of the two metals. As the exchange must rise more than one per cent. above the true par derived from the legal relative value which may be adopted, before American gold coins can be exported, this would not take place to England, until the exchange had risen to at least $4 81 per pound sterling. On the other hand, that ratio being lower than that of the relative value of gold and silver bullion either in England or in France, there would be no danger of the price of the gold falling below that of the silver coins. On the contrary, it is extremely probable, that the gold coins would generally, as in France, command a small premium, and be used with great convenience as subsidiary to silver, which would remain as heretofore our standard of value. Either of the ratios of 2700:173 (equal to about 15.6069:1), and of 125:8 (equal to 15.625:1) would answer that purpose. According to the first, the weight of the eagle would be in standard gold, 259.5; and according to the second 259.2 grains. The last ratio is the most simple, and is capable of a *definite* expression *in decimals.* The only advantage of the first, the expression of which, though less simple, is however per-

fectly definite, consists in making the corresponding value of the pound sterling almost equal to $4 75, (nearly 4.7505,) which would afford much convenience in the calculations of duties and exchange. The corresponding value of the pound sterling, according to the second ratio, would be near $4 75.6. We think, that at all events, the ratio should not exceed that of 675:43, (nearly equal to 15.7:1,) which would give two hundred and fifty-eight grains for the weight of the eagle in standard gold, and about $4 77.8 for the corresponding value of the pound sterling. We will add another consideration in favour of the proposed reform of our gold coins.

It seems to be well ascertained that the United States contain one of the most extensive deposits of gold that have ever yet been discovered. It extends from the central parts of Virginia, in a south-west direction, to the state of Alabama. It is said to have yielded the value of near half a million of dollars this year, and it is not improbable that it will ere long afford an annual produce of several millions. It appears but just to afford, to those employed in collecting that natural product, a certain and the highest home market of which it is susceptible. This cannot be the case, so long as gold is only a merchandise for exportation, and will be effected by making it a current coin, and reducing the charge of coinage in the manner which has been before suggested. In every point of view, we consider this last measure, that of enabling the mint to pay immediately for the bullion, and of substituting, to the delay of two months, a small duty on the coinage not higher than its cost, as of no inconsiderable importance.

Great Britain, in adopting gold as the sole standard of value, has found it, however, absolutely necessary to admit silver coins for payments not exeeeding forty shillings. This limitation would, it seems, have been sufficient for the object intended. But, whether in order to prevent the exportation, or only the better to assert the adherence to an abstract principle, the new silver coinage has been overrated about nine per cent. by coining the troy pound weight of standard silver into sixty-six instead of sixty-two shillings. This debased coin is attended with the same inconvenience as a paper currency issued by government. There is, on account of the profit, a temptation to issue too much; and no sure means can be found of ascertaining the amount wanted for effecting the payments to which that portion of the currency is applicable. It is worthy of remark, that England, from a scrupulous adherence to a single standard, should have actually established two distinct standards of value, one for wholesale and the other for retail transactions. It is obvious, that since a debased coin can be neither profitably exported nor applied to other purposes, any considerable excess, beyond what is actually

wanted for effecting small payments, must cause a depreciation. Should government be ever so moderate in its issues, the facility with which that coin may be, not counterfeited, but illegally imitated and put into circulation, must ultimately defeat the object intended. In the mean while, should the excess be such, that the retailers of every description, who are obliged to take in payment silver inapplicable to wholesale purchases, could not dispose of the surplus, they must, to indemnify themselves, add something to their prices. We believe this to be already the fact, and that this, like every other depreciated currency, operates as a tax, which affects principally all those who are compelled to purchase every thing by retail.

These two measures, suggested for the purpose of enlarging the circulating metallic currency, recommend themselves by their simplicity, and are founded on the beneficial experience of almost every other country. In Europe, England alone has resorted to a single standard, and that nominally, since her silver circulation amounts to eight millions sterling, or to more than one-third of her gold, and almost to one-third of her paper currency. We believe that small notes, or tokens, circulate no longer any where but in Russia, Sweden, and Scotland. The situation of two of those countries is in nowise parallel to that of the United States. Twenty shilling notes continue to circulate in Scotland; and the banking system of that country offers an anomaly which has not been satisfactorily explained. The numerous failures of country banks in England have been sometimes ascribed to their not being incorporated companies; which is disproved by the solidity of the numerous Scotch banks of the same description, and by the repeated failures of our own chartered banks; and sometimes to their not being permitted by law to consist of a sufficient number of partners. But of the twenty-nine banks of Scotland which are not chartered, seventeen are voluntary associations, consisting of from three to nineteen partners, the credit of which is as good as that of the other twelve unincorporated, and of the three chartered banks of that country. We believe, that independent of the peculiarities which distinguish the Scotch banking system, its superior stability must be principally ascribed to the persevering but cautious enterprise, to the great frugality, and generally to the habits of that nation.

It is difficult to devise the more direct means by which the over-issues of banks may be checked. Several of the states have as yet taken no measures to that effect. Many appear to have tried to apply rather penal than preventive remedies. The laws by which it has been attempted to limit either the loans or the issues made by the banks, have generally been intended to prevent what never can take place. Amongst more than three hundred

banks, either now existing or which have failed, and of which we have returns, we have not found a single one, the loans of which amounted, so long as specie payments were in force, to three times, or the issues to twice the amount of their capital. It is clear, that provisions applicable to such improbable contingencies are purely nominal. The statements we have given show that the average amount of notes issued by the state banks does not, taken together, exceed forty-four per cent., nor the aggregate amount of their notes and deposits, eighty-one per cent. of their capital. The loans made by those banks, of which we have returns in that respect, amount to 87,788,574, and their aggregate capital to 124,965,882 dollars. Those facts afford sufficient data to form an opinion of the necessary provisions in that respect. The restrictions can only be made in reference to the capital actually paid in, and to apply to the amount of loans and issues, which, with the exception of deposits, are the only items that can be always limited by the banks. And the deposits, independent of being voluntary, could not without much inconvenience, both to the banks and their customers, be restricted to a fixed amount. We think that no bank should be permitted to extend its loans, including stocks of every description, and every species of debt in whatever manner secured, beyond twice the amount of its capital. We find provision to that effect in the laws of Massachusetts and Louisiana. That proportion is forty per cent. greater than that of the banks above mentioned, and greater, as we think, than is consistent with the safety of almost any bank. The aggregate of the loans made and of the stocks owned by the former Bank of the United States, never amounted to seventy per cent., nor that of the existing bank to fifty per cent. beyond the amount of their respective capitals. This restriction alone necessarily checks the aggregate amount of the issues and deposits of a bank; which, in that case, never can together exceed the amount of its capital, beyond the specie in its vaults, and the nominal value of its real estate. But we believe that a positive restriction on the issue of notes, so that they never should exceed two-thirds of the capital, would be highly beneficial. The only objection is, with respect to country banks, which have not the same proportionate amount of deposits as the city banks, and may on that account claim a greater latitude with respect to notes. But it will be perceived by the following statement, which includes thirty banks of the state of New-York that have more than three-fourths of the whole banking capital of the state, and all the chartered banks of Pennsylvania and Massachusetts, that, taking into consideration both notes and deposits, the proportion of these to the capital is far greater in the country than in the city banks. The relative proportions are, in New-York and in Pennsylvania as seven to four, and in Massa-

chusetts as three to two. A reduction in the amount of notes to two-thirds of that of the capital would not affect this state, and would still leave the proportion of notes and deposits to capital of country, much greater, in Pennsylvania and New-York, than that of city banks.

	City.	Country.
Massachusetts,		
Specie,	$ 747,684	$ 239,526
Capital,	13,450,000	5,702,400
Notes,	2,357,678	2,160,000
Deposits,	2,202,092	658,190
Circulation,	4,559,770	2,818,190
Pennsylvania,		
Specie,	$1,639,134	$ 775,537
Capital,	9,903,930	3,506,403
Notes,	3,648,719	3,659,650
Deposits,	5,046,183	1,795,266
Circulation,	8,694,902	5,454,916
New-York,		
Specie,	$ 1,169,581	$ 390,710
Capital,	10,711,200	4,926,153
Notes,	3,394,257	4,567,023
Deposits,	6,662,174	3,692,326
Circulation,	10,056,431	8,259,349

We do not wish, at the same time, to be understood as objecting generally to the extension of the banking system to the country, but only to the indiscriminate establishment of banks, without regard to the actual wants and means of the districts which may apply for that purpose. There is a general spirit of enterprise in the United States, to which they are greatly indebted for their rapid growth; and it is difficult to ascertain in all cases, to what extent it should be encouraged, and when it ought to be checked. The remarks apply particularly to the newly settled parts of the country, which present a state of things, different from that found in any other part of the civilized world, and to which, therefore, even the most generally admitted principles of political economy will not always apply.

Amongst the first emigrants, there are but few possessed of much capital; and these, generally employing it in the purchase

of land, are soon left without any active resources. The great mass bring nothing with them, but their industry, and a small stock of cattle and horses. A considerable portion of the annual labour is employed in clearing, enclosing, and preparing the land for cultivation. Those difficulties, and all the privations incident to their new situation, are encountered with unparalleled spirit and perseverance. Within a very short time, our numerous new settlements, which in a few years have extended from the Mohawk to the great western lakes, and from the Alleghany to the Mississippi and beyond it, afford the spectacle of a large population, with the knowledge, the intelligence and the habits which belong to civilized life, amply supplied with the means of subsistence, but without any other active capital, but agricultural products, for which, in many instances, they have no market. It is in this last respect, that their situation essentially differs from that of any other country as far advanced in civilization. We might even add, that there is, in several ancient settlements of the United States, a less amount of active capital, than in the interior parts of many European countries. The national industry, out of the seaports, has, at least till very lately, been exclusively applied to agriculture ; and circulating capital will rarely be created, out of commercial cities, without the assistance of manufactures.

With the greatest abundance of provisions, it is impossible for a new country to purchase what it does not produce, unless it has a market for its own products. Specie is a foreign product, and, though one of the most necessary, is not yet always that which is most imperatively required. We may aver from our own knowledge, that the western counties of Pennsylvania had not, during more than twenty years after their first settlement, the specie necessary for their own internal trade and usual transactions. The want of communications, and the great bulk of their usual products, reduced their exports to a most inconsiderable amount. The two indispensable articles of iron and salt, and a few others almost equally necessary, consumed all their resources. The principle, almost universally true, that each country will be naturally supplied with the precious metals according to its wants, did not apply to their situation. Household manufactures supplied the inhabitants with their ordinary clothing, and the internal trade and exchanges were almost exclusively carried on by barter. This effectually checked any advance even in the most necessary manufactures. Every species of business required the utmost caution, as any failure in the performance of engagements in the way of barter, became, under the general law of the land, an obligation to pay money, and might involve the party in complete ruin. Under those circumstances, even a paper currency, kept within proper bounds, might have proved useful.

We know the great difficulties which were encountered by those who first attempted to establish the most necessary manufactures, and that they would have been essentially relieved, and some of them saved from ruin, by moderate bank loans. Yet there were instances where those difficulties were overcome, and the most successful manufactures of iron and glass were established and prospered prior to the establishment of any bank; but the general progress of the country was extremely slow, and might have been hastened by such institutions soberly administered.

Some of the first settlements in other parts of the country, were, for a length of time, in a similar situation. The progress of others, under more favourable circumstances, has been much more rapid. The western parts of the state of New-York have always enjoyed a nearer and more accessible market. The acquisition of Louisiana, the invention of steam-boats, and the improved communications by land and water, have entirely changed the state of things west of the Alleghany mountains. Still, and notwithstanding the unparalleled increase of population, and the rapid progress in every respect of the new states or settlements, their wealth does not, in any degree, correspond, either with that population, or with their advances in agriculture. All new colonies, either from Europe to America, or from the ancient settlements to the more interior part of America, have, under different modifications, been ever placed in a similar situation. To this must be ascribed the issues of paper money by the several states, whilst under the colonial government. This currency, in many instances useful, was, as usual, often carried to excess, and depreciated accordingly. The same causes continue to produce similar effects. The eagerness for country banks is natural, but often mistakes its object. They may be safely established in flourishing towns or villages, either commercial or manufacturing, provided their issues are restrained within proper bounds. It is to the abuse, and not to the use, that we object. The profits of agriculture are so moderate, at least in the middle states, and the returns so slow, that even loans on mortgages are rarely useful. But when made by banks, on notes at sixty days, without any other substantial security than real estate, they never can be relied on as an immediate resource, and, when payment is urged, they almost always prove ruinous to the borrowers, and are often attended with heavy losses to the banks. The example of Pennsylvania has clearly shown, that the calamities inflicted by the failures of country banks, established in unfit places, or for want of experience, improperly administered, have been still more fatal to the inhabitants of the districts in which they were situated, than to the state at large. It is well known that the same observation applies, with equal, if not greater force, to other states than Pennsylvania.

The revised statutes of the state of New-York, besides several salutary provisions for the bona fide payment of the stock subscribed, to prevent any dividend greater than the actual profits, and generally for the prevention of frauds, contain one of primary importance, adopted also in Maryland and some other states, by which the charter is forfeited, whenever the bank refuses or declines to pay on demand its notes or deposits in specie. But the restriction on loans and discounts, which limits their amount to three times that of the capital, is purely nominal; and the responsibility imposed on stockholders, though already adopted in some other states, has been considered as objectionable. As a substitute, and with a laudable intent to protect the community against partial failures, a "safety fund" has since been established by law, consisting of a tax of one half per cent. on the capital of every bank, and which is applicable to the payment of the notes of any that may fail. This must have a tendency to encourage excessive issues of paper, which could not be sustained if resting only on the credit of the bank by which they are made. But, unacquainted as we are with the reasons alleged in favour of that measure, it appears to us unjust; 1st, by making institutions properly managed, responsible for the conduct of others at a great distance, and over which they have no control; 2d, because, on account of the disproportion between the aggregate of the circulation and deposits of the city and country banks respectively, the first are made to pay, in the safety fund, about twice as much in proportion as the country banks. This will appear evident by referring to the last statement, and does not accord with the principles of a government founded on the equal rights of all.

The most efficient security afforded by the state laws against improvident issues of notes, is to be found in that of Massachusetts, by which banks are obliged to pay interest at the rate of 24 per cent. a year, on all notes or deposits which they may neglect or refuse to pay in specie on demand. A similar provision, but at the rate of 12 per cent., has been enacted by the state of Louisiana, and is also inserted in the charter of the Bank of the United States. Another great guarantee against improper management, is the obligation to make and publish annual statements of the situation of the banks. The mystery with which it was formerly thought necessary to conceal the operations of those institutions, has been one of the most prolific causes of erroneous opinions on that subject, and of mismanagement on their part. It is highly desirable that this measure should be adopted in the states where those returns are not yet made obligatory. The annual statements of the Bank of the United States, and of the banks of all the New-England states, of Pennsylvania, Virginia, Georgia, and others, to Congress,

and to the states respectively, have in no instance injured any institution that was properly administered. Publicity is, in most cases, one of the best checks which can be devised: it inspires confidence, and strengthens credit; whilst concealment begets distrust, and often engenders unjust suspicions.

There is still another measure, better calculated perhaps than any other, to give complete security against the danger of insolvency. It has been already observed, that the original capital of the Bank of England, amounting to more than fourteen millions sterling, has been loaned to government, and, remaining in its hands, affords the best security to the holders of notes and to depositors. The propriety of extending a similar provision to country banks has been strongly urged in England; and the same measure, with respect to our banks, generally, has also been suggested. It is quite practicable, and seems unobjectionable in a country possessed of so large a capital as England, and in which the large amount of public debt would enable the banks to comply with the condition without any difficulty. But this might not be practicable here, where the banking capital is so much larger than the amount of all other public stocks, and we apprehend that mortgages on real estate must, if such provision becomes general, be resorted to for want of such stocks. We must also refer to our former observations respecting the nature of our banking capital. Should this be permanently vested in mortgages or stocks, the accommodations which the banks afford to individuals might be too much curtailed. If these objections can be removed, the plan proposed would give to the banking system of the United States a solidity, and inspire a confidence, which it cannot otherwise possess.

The constitutional powers of Congress on the subject, are the next and principal object of inquiry.

We have already adverted to the provisions of the Constitution, which declare, that no state shall either coin money, emit bills of credit, make any thing but gold and silver coins a tender in payment of debts, or pass any law impairing the obligation of contracts, and which vest in Congress the exclusive power to coin money, and to regulate the value thereof, and of foreign coin. It was obviously the object of the Constitution to consolidate the United States into one nation, so far as regarded all their relations with foreign countries, and that the internal powers of the general government should be applied only to objects necessary for that purpose, or to those few which were deemed essential to the prosperity of the country, and to the general convenience of the people of the several states. Amongst the objects thus selected, were the power to regulate commerce among the several states, and the control over the monetary system of the country.

This last mentioned power is, and has ever been one of primary importance. It is for want of such general power, that Germany has always been inundated with coins often debased, and varying from state to state in standard and denomination: the same defect was found in the former United Provinces of the Netherlands: and the banks of deposit of Hamburg and Amsterdam, were originally established for the purpose of correcting that evil. Even under the articles of confederation, Congress had already the sole and exclusive right and power of regulating the alloy and value of coins struck by their own authority, or by that of the respective states. It was on a most deliberate view of the subject, that the same powers were confirmed and enlarged by the Constitution, and the individual states excluded from any participation, which might interfere with the controlling power of the general government. With the exception of those which are connected with the foreign relations of the United States, either in war or in peace, there are no powers more expressly and exclusively vested in Congress, of a less disputable nature, or of greater general utility, than those on the subject of currency. Arbitrary governments have, at various times, in order to defraud their creditors, debased the coin, whilst they preserved its denomination, and thus subverted the standard of value by which the payment of public and private debts, and the performance of contracts, ought to have been regulated. This flagrant mode of violating public faith has been long proscribed by public opinion. Governments have, in modern times, substituted for the same purpose issues of paper money, gradually increasing in amount, and decreasing in value. It was to guard against those evils, that the provisions in the Constitution on that subject were intended: and it is the duty, not less than the right, of the United States, to carry them into effect.

The first paragraph of the eighth section of the first article, provides that Congress shall have power "to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts, and excises, shall be uniform throughout the United States."

It has sometimes been vaguely asserted, though, as we believe, never seriously contended, that the words "to provide for the common defence and general welfare," were intended, and might be construed, as a distinct and specific power given to Congress, or, in other words, that that body was thereby invested with a sweeping power, to embrace within its jurisdiction any object whatever, which it might deem conducive to the general welfare of the United States. This doctrine is obviously untenable, subversive of every barrier in the Constitution which guards the rights of the states or of the people, expressly con-

tradicted by the tenth amendment, which provides, that the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people; and tantamount to an assertion, that there is no Constitution, and that Congress is omnipotent. Mr. Jefferson stigmatizes this construction as "a grammatical quibble, which has countenanced the general government in a claim of universal power. For, (he adds,) in the phrase, to lay taxes, *to pay the debts and provide for the general welfare*, it is a mere question of syntax, whether the two last infinitives are governed by the first, or are distinct and co-ordinate powers; a question unequivocally decided by the exact definition of powers, immediately following."

The words "to provide for the common defence and general welfare of the United States," are as obligatory as any other part of the Constitution; they cannot be expunged, and must be so construed as to be effective. Mr. Jefferson did not deny this, which is indeed undeniable; and he only contended, that the words did not convey a distinct power, but were governed by the preceding infinitive; that is to say, that this clause in the Constitution, instead of giving to Congress the three distinct powers, 1st, to lay taxes, &c., 2dly to pay the debts, 3dly to provide for the common defence and general welfare of the United States, gave only that "to lay and collect taxes, duties, imposts, and excises, *in order* to pay the debts and provide for the common defence and general welfare of the United States." He states the question as one of syntax, susceptible of only two constructions; one which would give, as a distinct, a sweeping power inconsistent with the spirit and other express provisions of the Constitution, and which he accordingly rejects; the other, which he adopts, and which admits, but confines the application of the words "to provide for the general welfare," to the only power given by that clause, viz. that of laying taxes, duties, &c.

This appears to have been the construction universally given to that clause of the Constitution, by its framers and cotemporaneous expounders. Mr. Hamilton, though widely differing in another respect from Mr. Jefferson in his construction of this clause, agrees with him in limiting the application of the words "to provide for the general welfare," to the express power given by the first sentence of the clause. In his report on manufactures, he contends for the power of Congress to allow bounties for their encouragement, and, after having stated the three qualifications of the power to lay taxes, viz., 1st, that duties, imposts, and excises, should be uniform throughout the United States; 2nd, that no direct tax should be laid unless in proportion to the census; 3d, that no duty should be laid on exports; he argues on the constitutional question in the following words.—

"These three qualifications excepted, the power to raise money is plenary and indefinite; and the objects to which it may be appropriated, are no less comprehensive than the payment of the public debts and the providing for the common defence and general welfare. The terms 'general welfare,' were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise numerous exigencies, incident to the affairs of a nation, would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union to appropriate its revenues, should have been restricted within narrower limits than the 'general welfare;' and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition."

"It is therefore of necessity left to the discretion of the national legislature, to pronounce upon the objects which concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt, that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce, are within the sphere of the national councils, as far as regards an application of money.

"The only qualification of the generality of the phrase in question, which seems to be admissible, is this; that the object to which an appropriation of money is to be made, be general and not local; its operation extending, in fact, or by possibility, throughout the Union, and not being confined to a particular spot."

"No objection ought to arise to this construction, from the supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted too, in express terms, would not carry a power to any other thing not authorized in the Constitution, either expressly or by fair implication."

Mr. Hamilton insisted that the power to *lay and collect* taxes and duties, implied that of *appropriating* the money thus raised, to any object which Congress might deem conducive to "the general welfare." But he confines throughout the application of those words to the power given, as he understood it, by the first sentence of the clause. Mr. Jefferson, who agreed with him in that respect, denied altogether that the power to lay taxes implied that of applying the money thus raised to objects conducive to the general welfare. It cannot be objected to this construction, which is the most literal, that the words "for the general welfare" are thereby rendered of no effect. For there are several cases, in which the laying a tax or duty does alone effect the object in view, without the aid of an appropriation or of any other distinct act of the legislature. On that point, however, and on that alone, they differed. But it is foreign to the object now under consideration, and we do not mean to discuss it. All that is necessary for us is, that, as admitted by both, the power *to lay duties and taxes*, is vested in Congress, and may be exercised, to provide (or, in order to provide) for the general welfare of the United States, without any other limitation than the three qualifications specified by the Constitution and above stated.

It has indeed been lately contended by some distinguished citizens, that the words "general welfare," referred only to the powers expressly vested in Congress by the Constitution: or, in

other words, that the power to lay duties and taxes could not be exercised but for the purpose of carrying into effect some of those specific powers. It seems to us, that this, if intended, would have been distinctly expressed, instead of using the words "general welfare." And although it is undeniable, that a constructive power can not be legitimately claimed, unless necessary and proper for carrying into execution, or fairly implied in, a power expressly delegated; we do not perceive why it should be necessary, in order to justify the exercise of a power expressly given, that it should be exercised in reference to another similar power. But we do not mean to discuss this question, which is also foreign to our object. Allowing, for the sake of argument, the validity of the objection, it does not apply to cases where the object, in reference to which the duty or tax is laid, is clearly embraced within the powers of the general government.

Congress has the power to lay stamp duties on notes, on bank notes, and on any description of bank notes. That power has already been exercised; and the duties may be laid to such an amount, and in such a manner, as may be necessary to effect the object intended. This object is not merely to provide generally for the general welfare, but to carry into effect, in conformity with the last paragraph of the eighth section of the first article, those several and express provisions of the Constitution, which vest in Congress exclusively the control over the monétary system of the United States, and more particularly those which imply the necessity of a uniform currency. The exercise of the power for that object is free of any constitutional objection, provided the duties thus laid shall be uniform, and applied to the Bank of the United States as well as to the state banks. The act of laying and collecting the duties, which is expressly granted, is alone sufficient to effect the object. As no appropriation of money is wanted for that purpose, the exercise of power which is required, is purely that of laying duties; and it is not liable to the objection, that to assert that the authority to lay taxes implies that of appropriating the proceeds, is a forced construction. It is equally free of any objection derived from any presumed meaning of the words "general welfare," since the power to lay duties will, in this instance, be exercised, in order to carry into effect several express provisions of the Constitution, having the same object in view. Congress may, if it deems it proper, lay a stamp duty, on small notes, which will put an end to their circulation. It may lay such a duty on all bank notes, as would convert all the banks into banks of discount and deposit only, annihilate the paper currency, and render a Bank of the United States unnecessary in reference to that object. But if this last measure should be deemed pernicious, or prove impracticable,

Congress must resort to other and milder means of regulating the currency of the country. The Bank of the United States, as has already been shown, was established for that express purpose.

An act incorporating a bank, is not an act either to raise or appropriate money. The power to establish the bank cannot, in any way, be founded on that clause of the Constitution which has reference to the general welfare of the United States. It is sanctioned exclusively by that clause which gives to Congress power to make all laws, which shall be necessary and proper for carrying into execution any of the powers vested in the government of the United States. And the first object of inquiry is the meaning of the words "necessary and proper" in that clause.

We are aware, that it has at times been suggested that the word "necessary," in its strict sense, means "that without which the specific power cannot be carried into effect," and ought to be so construed. If appeal be made to verbal criticism, it may be answered, that if such was the meaning of the word "necessary," in that sentence, the word "proper" would not have been added; since that which is necessary in that strict sense is of necessity proper. This last expression must, therefore, be taken in connexion with the first; and since it was contemplated, that what was called necessary might be proper or improper, the words "laws necessary and proper" do not appear to have been intended in that most limited sense, which implies absolute impossibility of effecting the object without the law, but to mean such laws as are fairly intended, and highly useful and important for that purpose. We believe this to be the fair, and to have been the uniform construction of the Constitution, and that indeed without which it could not have been carried into effect. In order to prove that this has ever been deemed the natural and clear construction, we will not resort to the establishment of lighthouses, or to other numerous precedents, the authority of which may be disputed. We will appeal to the most general and important law of the United States, such as it was enacted from the first organization of the government under the Constitution, and to a provision in it, which, under its various other modifications, has uninterruptedly, and without any constitutional objection, remained in force to this day.

The laws to lay and collect duties on imports require, and have always required, a variety of oaths, and particularly that of the importers or consignees, with respect to the correctness of the invoices of goods imported, both as to quantity and as to cost or value. Yet this provision, however useful and important, is not so absolutely necessary, in that strict sense of the word, as that the laws could not possibly be carried into effect without it. There are countries, France for example, where

those duties are efficiently collected without the assistance of similar oaths. This may be done at least as effectually by an appraisement of the merchandise, as by resorting to the oaths of the parties. In point of fact, there has always been a discretionary power to appraise, which has lately been enlarged. Since it is on that provision, and not on the oath, that the ultimate reliance for the faithful collection of the duties is placed, those duties might be collected without the assistance of oaths, by substituting in every instance an appraisement or valuation. Oaths are not, therefore, necessary for the collection of duties, in that strict sense which is contended for: they are not that, without which the duties could not be collected. The observation indeed applies to various other provisions of the revenue laws. Any one who will give them a perusal, will find various provisions, implying powers not specially vested in Congress, the necessity of which was not absolute, and without which the object of the law might still have been effected. The oaths and various other provisions have been resorted to, as means only highly useful, important, and proper, but not as being of *absolute* necessity for carrying the law into effect.

Whenever it becomes the duty of Congress to carry into effect any of the powers expressly defined by the Constitution, it will generally be found that there are several means to effect the object. In that case, and whenever there is an option, each of the means proposed ought not to be successively objected to, as not being strictly necessary because other means might be resorted to, since this mode of arguing would defeat the object intended, and prevent the passage of any law for carrying into effect the power, which it was the duty of Congress to execute. If every provision of a revenue law was successively opposed on that ground, no efficient revenue law could be passed. In the present case, it is proposed to resort, either to a stamp duty or to a Bank of the United States, in order to regulate the currency. That important object will be defeated, if both means are successively objected to, as not strictly necessary, unless some other equally efficient mode can be suggested. But, on the other hand, the means proposed for carrying into effect any special or expressed power vested in Congress, should be highly useful and important, having clearly and bona fide that object in view which is the avowed purpose, and not be intended, under colour of executing a certain special power, for the purpose of effecting another object.

It was on this ground, that the former Bank of the United States was at first opposed. That Bank had not been proposed for the express purpose of regulating the currency, but as incident to the powers of regulating commerce, of collecting the revenue, of the safe keeping of public moneys, and generally, of

carrying on the operations of the Treasury. There had been at that time but three banks established in the United States; their operations were confined within a very narrow sphere; there had been no experience in the United States of the utility of a bank in assisting the operations of government, but that which, during a short time, had been afforded by the Bank of North America, incorporated in the first instance, by Congress, under the articles of confederation. The Bank of the United States was considered by its opponents, as not being intended for the purpose alleged, but as having for its object the consolidation of a moneyed aristocracy, and to further the views at that time ascribed to a certain party and to its presumed leader. And the fears then excited respecting that object, and the supposed influence of the Bank in promoting it, though long since dissipated, have left recollections and impressions which may still have some effect on public opinion in relation to the constitutional question.

Experience, however, has since confirmed the great utility and importance of a Bank of the United States, in its connexion with the Treasury. The first great advantage derived from it, consists in the safe keeping of the public moneys, securing, in the first instance, the immediate payment of those received by the principal collectors, and affording a constant check on all their transactions; and afterwards rendering a defalcation in the moneys once paid, and whilst nominally in the Treasury, absolutely impossible. The next and not less important benefit is to be found in the perfect facility with which all the public payments are made by checks, or Treasury drafts, payable at any place where the Bank has an office; all those who have demands against government, are paid in the place most convenient to them; and the public moneys are transferred, through our extensive territory, at a moment's warning, without any risk or expense, to the places most remote from those of collection, and wherever public exigencies may require. From the year 1791 to this day, the operations of the Treasury have, without interruption, been carried on through the medium of banks; during the years 1811 to 1816, through the state banks; before and since, through the Bank of the United States. Every individual who has been at the head of that department, and, as we believe, every officer connected with it, has been made sensible of the great difficulties, that must be encountered without the assistance of those institutions, and of the comparative ease and great additional security to the public, with which their public duties are performed through the means of the banks. To insist that the operations of the Treasury may be carried on with equal facility and safety, through the aid of the state banks, without the interposition of a Bank of the United States, would be contrary to

fact and experience. That great assistance was received from the state banks, while there was no other, has always been freely and cheerfully acknowledged. But it is impossible, in the nature of things, that the necessary concert could be made to exist between thirty different institutions; and in some instances, heavy pecuniary losses, well known at the seat of government, have been experienced. To admit, however, that state banks are necessary for that purpose, is to give up the question. To admit that banks are indispensable for carrying into effect the legitimate operations of government, is to admit that Congress has the power to establish a bank. The general government is not made by the Constitution to depend, for carrying into effect powers vested in it, on the uncertain aid of institutions, created by other authorities, and which are not at all under its control. It is expressly authorized to carry those powers into effect by its own means, by passing the laws necessary and proper for that purpose, and in this instance, by establishing its own bank, instead of being obliged to resort to those which derive their existence from another source, and are under the exclusive control of the different states, by which they have been established.

It must at the same time be acknowledged, that, inasmuch as the revenue may be collected, and the public moneys may be kept in the public chests, and tranferred to distant places without the assistance of banks; as all this was once done in the United States, and continues to be done in several countries, without any public bank, it cannot be asserted, that those institutions are absolutely necessary for those purposes, if we take the word "necessary" in that strict sense which has been alluded to. All this may be done, though with a greater risk, and in a more inconvenient and expensive manner. Public chests might be established, and public receivers, or sub-treasurers, might be appointed in the same places where there are now offices of the Bank of the United States, and specie might be transported from place to place, as the public service required it, or inland bills of exchange purchased from individuals. The superior security and convenience afforded by the bank, in the fiscal operations of government, may not be considered as sufficient to make its establishment constitutional, in the opinion of those who construe the word "necessary" in that strict sense.

But it is far from being on that ground alone, that the question of constitutionality is now placed. It was not at all anticipated, at the time when the former Bank of the United States was first proposed, and when constitutional objections were raised against it, that bank notes issued by multiplied state banks, gradually superseding the use of gold and silver, would become the general currency of the country. The effect of the few

banks then existing, had not been felt beyond the three cities where they had been established. The states were forbidden by the Constitution to issue bills of credit: bank notes are bills of credit to all intents and purposes; and the state could not do, through others, what it was not authorized to do itself: but the bank notes, not being issued on the credit of the states, nor guarantied by them, were not considered as being, under the Constitution, bills of credit emitted by the states. Subsequent events have shown, that the notes of state banks, pervading the whole country, might produce the very effect which the Constitution had intended to prevent, by prohibiting the emission of bills of credit by any state. The injustice to individuals, the embarrassments of government, the depreciation of the currency, its want of uniformity, the moral necessity imposed on the community, either to receive that unsound curreney, or to suspend every payment, purchase, sale, or other transaction, incident to the wants of society, all the evils which followed the suspension of specie payments, have been as great, if not greater, than those which might have been inflicted by a paper currency, issued under the authority of any state. We have already adverted to the several provisions of the Constitution, which gave to Congress the right, and imposed on it the duty to provide a remedy; but there is one which deserves special consideration.

Whatever consequences may have attended the suspension of specie payments in Great Britain, there still remained one currency which regulated all the others. All the country bankers were compelled to pay their own notes, if not in specie, at least in notes of the Bank of England. These notes were, as a standard of value, substituted for gold: and, if the currency of the country was depreciated, and fluctuating in value from time to time, it was at the same time uniform throughout the country. There was but one currency for the whole, and every variation in its value was uniform as to places, and at the same moment operated in the same manner every where. But the currency of the United States, or, to speak more correctly, of the several states, varied, during the suspension of specie payments, not only from time to time, but at the same time from state to state, and in the same state from place to place. In New-England, where those payments were not discontinued, the currency was equal in value to specie: it was, at the same time, at a discount of seven per cent. in New-York and Charleston, of fifteen in Philadelphia, of twenty and twenty-five in Baltimore and Washington, with every other possible variation in other places and states.

The currency of the United States, in which the public and private debts were paid, and the public revenue collected, not only was generally depreciated, but was also defective in respect

to uniformity. Independent of all the other clauses in the Constitution which relate to that subject, it is specially provided, 1st, that all duties, imposts, and excises, shall be uniform throughout the United states; 2d, that, representatives and direct taxes shall be apportioned among the several states, according to their respective numbers, to be determined by the rule therein specified; and that no capitation or other direct tax shall be laid, unless in proportion to the enumeration. Both these provisions were violated whilst the suspension of specie payments continued. It is clear, that after the quota of the direct tax of each state had been determined, according to the rule prescribed by the Constitution, it was substantially changed by being collected in currencies differing in value in the several states. It is not less clear, that the clause which prescribes a uniformity of duties, imposts, and excises, was equally violated by collecting every description of indirect duties and taxes in currencies of different value. The only remedy existing at that time, was the permission to pay direct and indirect taxes in treasury notes. But those notes did not pervade every part of the country in the same manner as bank notes; they were of too high denomination to be used in the payment of almost any internal tax; they were liable also to vary in value in the different states; and they could operate as a remedy, only as long as their depreciation was greater than that of the most depreciated notes in circulation.

We will now ask, whether, independent of every other consideration, Congress was not authorized and bound to pass the laws necessary and proper for carrying into effect, with good faith, those provisions of the Constitution? and whether that could or can be done, in any other manner than, either by reverting to a purely metallic, or by substituting a uniform paper currency to that which had proved so essentially defective in that respect, and which, from its not being subject to one and the same control, is, and for ever will be, liable to that defect? The uniformity of duties and taxes of every description, whether internal or external, direct or indirect, is an essential and fundamental principle of the Constitution. It is self-evident, that that uniformity cannot be carried into effect without a corresponding uniformity of currency. Without laws to this effect, it is absolutely impossible that the taxes and duties should be uniform, as the Constitution prescribes: such laws are therefore necessary and proper in the most strict sense of the words. There are but two means of effecting the object, a metallic, or a uniform paper currency. Congress has the option of either; and either of the two, which may appear the most eligible, will be strictly constitutional, because strictly necessary and proper for carrying into effect the object. If a currency exclusively metallic is preferred, the object will be attained by laying prohibitory stamp

duties on bank notes of every description, and without exception. If it is deemed more eligible, under existing circumstances, instead of subverting the whole banking system of the United States, and depriving the community of the accommodations which bank loans afford, to resort to less harsh means; recourse must be had to such, as will insure a currency sound and uniform itself, and at the same time check and regulate that which will continue to constitute the greater part of the currency of the country.

Both those advantages were anticipated in the establishment of the Bank of the United States; and it appears to us that the bank fulfils both those conditions. As respects the past, it is a matter of fact, that specie payments were restored and have been maintained through the instrumentality of that institution. It gives a complete guarantee, that under any circumstances, its notes will preserve the same uniformity which they now possess. Placed under the control of the general government, relying for its existence on the correctness, prudence, and skill with which it shall be administered, perpetually watched and occasionally checked by both the Treasury Department and rival institutions; and without a monopoly, yet with a capital and resources adequate to the object for which it was established; the bank also affords the strongest security which can be given with respect to paper, not only for its ultimate solvency, but also for the uninterrupted soundness of its currency. The statements we have given of its progressive and present situation, show how far those expectations have heretofore been realized.

Those statements also show, that the Bank of the United States, wherever its operations have been extended, has effectually checked excessive issues on the part of the state banks, if not in every instance, certainly in the aggregate. They had been reduced, before the year 1820, from sixty-six to less than forty millions. At that time, those of the Bank of the United States fell short of four millions. The increased amount required by the increase of population and wealth during the ten ensuing years, has been supplied in a much greater proportion by that bank than by those of the states. With a treble capital, they have added little more than eight millions to their issues. Those of the Bank of the United States were nominally twelve, in reality about eleven millions greater in November 1829, than in November 1819. The whole amount of the paper currency has, during those ten years, increased about forty-five, and that portion which is issued by the state banks only twenty-two and a half per cent. We have indeed a proof, not very acceptable perhaps to the bank, but conclusive of the fact, that it has performed the office required of it in that respect. The general complaints, on the part of many of the state banks, that they

are checked and controlled in their operations by the bank of the United States, that, to use a common expression, it operates as a screw, is the best evidence that its general operation is such as had been intended. It was for that very purpose that the bank was established. We are not, however, aware that a single solvent bank has been injured by that of the United States, though many have undoubtedly been restrained in the extent of their operations, much more than was desirable to them. This is certainly inconvenient to some of the banks, but in its general effects is a public benefit to the community.

The best way to judge whether, in performing that unpopular duty, the Bank of the United States has checked the operations of the state banks more than was necessary, and has abused, in order to enrich itself at their expense, the power which was given for another purpose, is to compare their respective situation in the aggregate. In order to avoid any erroneous inference, we will put out of question those banks of which we could only make an estimate, and compare, with that of the United States, those only of which we had actual returns.

The profit of banks, beyond the interest on their own capital, consists in that which they receive on the difference between the aggregate of their deposits and notes in circulation, and the amount of specie in their vaults. We have given the aggregate situation for the end of the year 1829 of 281 banks with a capital of 94,245,650 dollars, the deposits and circulating notes of which amounted together to - - - - - - - - $71,275,504
from which deducting the specie in their vaults, 11,919,353

leaves for the said difference, - - - - - - - $59,356,151

or 64⅓ per cent. on their capital.

The notes in circulation of the Bank of the United States (deducting two millions for those in transitu, and adding one million for its drafts in circulation) amounted in November 1829, to $14,844,984, and together with the deposits, to $29,623,793
from which deducting the specie in its vaults, - - 7,175,274

leaves for the difference - - - - - - - - - - 22,448,519

or 64⅐ on its capital.

It is clear that those state banks, taken in the aggregate, have no just reason to complain, since that of the United States imposes no greater restraints on them than on itself. It will also be perceived that it had in specie, more than one-fifth part of the aggregate of its notes in circulation and deposits; whilst the state banks had little more than one-eighth; and the Bank of the United States had in addition a fund of about one million of dol-

lars in Europe. The difference would have been more striking, had we taken a view of the situation of all the state banks, including those on estimate; for the difference between the aggregate of their notes and deposits, and their specie, is 67¼ on their capital.

This view of the subject applies to the present time, when the Bank of the United States has surmounted the difficulties which it had, in its first origin, to encounter, and has reached a high degree of prosperity. It did not go into operation till the commencement of the year 1817, and such were the losses which it first experienced, that its dividends, during the first six years of its existence, fell short of 3½ per cent. a year. The dividend has since gradually increased from 5 to 7 per cent.; but the average, during the thirteen years and a half ending on the 1st of July 1830, has been but $4\frac{88}{100}$ per cent. a year. An annual dividend of about 9 per cent., during the residue of the time to which the charter is limited, would be necessary, in order that the stockholders should then have received, on an average, 6 per cent. a year on their capital. The dividends of the state banks vary too much, and our returns are too imperfect in that respect, to enable us to estimate the average; but it has certainly far exceeded that of the Bank of the United States.

The manner in which the Bank checks the issues of the state banks is equally simple and obvious. It consists in receiving the notes of all those which are solvent, and requiring payment from time to time, without suffering the balance due by any to become too large. Those notes on hand, taking the average of the three and a half last years, amount always to about a million and a half of dollars; and the balances due by the banks in account current (deducting balances due to some) to about nine hundred thousand. We think that we may say, that, on this operation, which requires particular attention and vigilance, and must be carried on with great firmness and due forbearance, depends almost exclusively the stability of the currency of the country.

The President of the United States has expressed the opinion, that the bank had failed in the great end of establishing a uniform and sound currency, and has suggested the expediency of establishing "a National Bank, founded upon the credit of the government and its revenues." He has clearly seen, that the uniformity of the currency was a fundamental principle derived from the Constitution, and that this, unless the United States reverted to a purely metallic currency, could not be effected without the aid of a National Bank. But it appears to us, that the objection of want of uniformity, which may be supported in one sense, though not in the constitutional sense of the word, applies generally to a paper currency, and not particularly to that which is issued by the Bank of the United States. And although

we are clearly of opinion, that the United States at large are entitled to the pecuniary profit arising from the substitution of a paper, for a metallic currency, we are not less convinced, that this object can not be attained in a more eligible way and more free of objections, than through the medium of a National Bank, constituted on the same principles as that now existing. On both those topics we will make but few observations, those branches of the subject having been nearly exhausted, in their report, by the Committee of the House of Representatives.

It has already been observed, that the substitution of paper to gold and silver is a national benefit, in as far as it brings into activity an additional circulating capital, equal to the difference between the amount of paper, and that of the reserve in specie necessary to sustain the par value of that paper. But it is clear, that the community derives no other immediate benefit from the substitution, than the accommodations which the banks are thereby enabled to afford, and for which the borrowers pay the usual rate of interest. The immediate profit derived from the paper currency, is received exclusively by the banks; about three-fourths by the state banks, and one-fourth by that of the United States. So far as relates to profit, it is only to that one-fourth part of the whole, that the measures of the general government are intended to apply. Several of the states, by levying a tax on the capital or on the dividends of their own banks, receive the public share of those profits. Other states have resorted to the mode suggested by the President, and have established banks of the state exclusively founded on its resources and revenue.

The proposition has not been suggested to resort to a third, though the most simple mode, that of issuing, without the aid or machinery of any bank whatever, a government paper payable on demand in specie. We unite in considering it altogether inadmissible. Government may put its paper in circulation by lending it, like banks, to individuals; and this is, in fact, the proposition which has been suggested. But unless this mode is adopted, to issue paper in any other way, is to borrow money; and the United States at this time wish to discharge and not to contract a debt. Nor would such a paper, without a mixture of banking operations, control in the least the issues of state banks, and assist in establishing a general sound currency.

The general objections to a paper issued by government, have already been stated at large. Yet it must be admitted, that there may be times when every other consideration must yield to the superior necessity of saving or defending the country. If there ever was a time, or a cause which justified a resort to that measure, it was the war of the independence. It would be doing gross injustice to the authors of the revolution and founders of that independence, to confound them with those governments, which

from ambitious views have, without necessity, inflicted that calamity on their subjects. The old Congress, as the name purports, were only an assembly of plenipotentiaries, delegated by the several colonies or states. They could only recommend, and had not the power, to lay taxes; the country was comparatively poor; extraordinary exertions were necessary to resist the formidable power of Great Britain; those exertions were made, and absorbed all the local resources; the paper money carried the United States through the most arduous and perilous stages of the war; and, though operating as a most unequal tax, it cannot be denied that it saved the country. Mr. Jefferson was strongly impressed with the recollection of those portentous times, when, in the latter end of the year 1814, he suggested the propriety of a gradual issue, by government, of two hundred millions of dollars in paper. He had, from the imperfect data in his possession, greatly overrated the amount of paper currency which could be sustained at par; and he had, on the other hand, underrated the great expenses of the war. Yet we doubt whether, in the state to which the banks and the currency had been reduced, much greater issues of Treasury notes, or other paper not convertible at will into specie, would not have become necessary, if the war had been of much longer continuance. It is to be hoped that a similar state of things will not again occur; but at all events, the issue of a government paper ought to be kept in reserve for extraordinary exigencies.

The proposition then recurs, to issue a paper currency payable on demand in specie, through the medium of a bank, founded on the revenue of the United States; or, in other words, to convert the general government, or its treasury department, into a banking institution. The experiment has been made in four of the states, and may have succeeded on a smaller scale, and where all the agents are personally known to government, and are not in name, but in reality, under its immediate superintendence. But if thirty-five millions of dollars are to be placed at the disposal of three hundred bank directors, selected by the government of the United States, and living in twenty-five different states or territories, with the authority to contract debts in behalf of the public to an equal amount, and to lend the whole to individuals at their discretion; we must inquire, how and over whom that enormous power will be exercised. However they may have differed with respect to removals from office, the various administrations, with some exceptions, commanded by the public interest, have all preferred, in appointing to office, their friends to their opponents; and in making the selections at a distance, there is not, perhaps, out of ten officers who are appointed, one who is personally known either to the President or to any of the heads of the departments. It is morally impossible

that the direction of the branches of the proposed bank should not fall into the hands of men generally selected from political considerations. Without salary, or any personal interest in the concern intrusted to their care, they would also be altogether irresponsible. The duties of the other officers of government may always be, and always are, defined by law: for any wilful official misconduct, for any act of oppression towards individuals, they may be prosecuted and punished. But the power vested in a bank director is in its nature discretionary, and error of judgment may always be plead, for having improperly granted or withdrawn an accommodation. The exercise of that arbitrary power over the property and private concerns of individuals would be so odious, that, if the attempt was made, we are confident that it would not be long tolerated. Considered as a source of profit, which is its only recommendation, it is equally obvious, that the plan could not succeed; that whenever there was a temporary pressure, and what is called a want of money, the debtors would ask and obtain relief, and that the same measure of indulgence would gradually be extended to every quarter of the Union. It seems indeed self-evident, that a government, constituted like that of the United States, cannot by itself manage and control a banking system spread over their extensive territory; and we know, on the other hand, that the same object may be attained through the means of a bank governed and controlled as that of the United States. It may be added, that, if an objection is raised against that institution, because the power to incorporate a bank is not expressly granted by the Constitution, it appears to be equally applicable to the plan that has been suggested; since there is no clause in that instrument, that expressly authorizes the government of the United States to discount the notes of individuals, or to become a trading company.

The United States are, however, justly entitled to participate in the advantages which the bank derives from its charter, by being permitted to issue paper, and to extend its operations over the whole country; and that institution must also be allowed, in addition to the usual interest on its capital, a reasonable profit; since it incurs all the risks, and is liable for all the losses incident to those operations. The government receives already a portion of the profits, in the shape of those services, which are rendered here gratuitously, and form in England no inconsiderable part of the benefit allowed to the bank. But for the residue, we would prefer to a bonus, either a moderate interest on the public deposits, or a participation in the dividends when exceeding a certain rate. There can be no doubt, that, independent of perfect security, the United States would, in that way, derive

greater pecuniary advantages, than from any bank managed by its own officers.

In order to attain perfect uniformity, the value of a paper currency should, in the United States, be always the same as that of the gold and silver coins, of which it takes the place. It is impossible to fulfil that condition better, than by making that currency payable on demand in specie and at par. This cannot be done but at certain places designated for that purpose. The holder of a bank note cannot, at any other place, give such note in payment of a debt, or exchange it for specie, without the consent of another party. Strictly speaking, it is not, therefore, at any other place, of the same value with specie. This is equally true of any bank note, or convertible paper, in any other country. A note of the Bank of England, being only payable in London, will not be of the same value with gold or silver in Scotland, Ireland, or even at Liverpool, unless the exchange between those places respectively and London should be at par. This defect is inherent to every species of paper currency, even when payable on demand. There were three hundred and twenty-nine state banks, and twenty-two offices of the Bank of the United States, in operation on the 1st of January, 1830. We had therefore three hundred and fifty-one distinct currencies, all convertible into specie, but each at different places. A note of the Bank of the United States, or of the Bank of North America, both payable at Philadelphia, was no more exchangeable for gold or silver, at Bedford, in Pennsylvania, than at Cincinnati; the only difference consisting in the greater distance from the place of payment, which renders a fluctuation in the rate of exchange more probable. When, therefore, it is objected as a want of uniformity, that the notes issued by the Bank of the United States, and its several offices, are not indiscriminately made payable at every one of those places, the objection does not go far enough. In order to attain perfect uniformity, or to render those notes every where precisely equal in value to specie, they should be made payable at every town or village in the United States. But, although it may be admitted, that the notes of the Bank of the United States now consist nominally of twenty-four currencies, each payable at a distinct place, they still fulfil the condition of uniformity required by the Constitution; and the defect complained of is not peculiar to them, but would equally attach to any other possible species of bank notes or paper currency.

Those notes, wherever made payable, are, by the charter, receivable in all payments to the United States: and as the bank is obliged, without any allowance on account of difference of exchange, to transfer the public funds from place to place within the United States, any loss arising from that cause falls on the

institution. For that purpose, therefore, all the notes issued by the bank constitute but one uniform currency, with which all the duties, taxes, imposts, and excises, may be paid. Not only the condition of uniformity imposed by the Constitution is strictly fulfilled, but by far the greater part of the notes which may happen to circulate out of the states in which they are made payable, is also absorbed by that operation. The objection is reduced to the simple fact, that individuals who may still hold such notes, cannot always exchange them at par at a place distant from that where they are payable. In answer to this, it must, in the first place, be observed, that notes are never found in that situation, but by the act of the parties themselves. The bank and its offices never issue or make payments in notes payable at another place than that of issue, but at the request of individuals, whose convenience it may suit to apply for such notes. Through whatever channel a man residing in New-Orleans may have come in possession of ten thousand dollars in notes payable at Charleston, it has always been with his own consent, and never by the act of the bank. When this objection is made, what in fact is complained of, is, that the bank will not, or cannot, transfer the funds of individuals, as well as those of the public, from place to place, gratuitously ; an operation which has no connexion with the uniformity of currency. Supposing there were no bank notes in circulation, and there was no other but a uniform metallic currency, the man who had taken a cargo of flour from Louisville to New-Orleans, must, in order to transfer the proceeds back to Louisville, either have purchased a bill of exchange, or transported the specie. This he may still do, since the institution of the bank ; and he has no more right to ask from the office at New-Orleans, to give him, in exchange for the specie, bank notes payable at Louisville, than to require that it should pay the freight of his flour from Louisville to New-Orleans.

But supposing there was any weight in the objection, it is inherent to the nature of a paper, which cannot, in that respect, be made better than a metallic currency. If A contracts to pay a certain sum to B, it must be at a certain specified place. He cannot engage to do it at five or six different places, at the option of B, since it would compel him to provide funds at all those different places, and therefore to five or six times the amount of his debt. It is true, that the Bank of the United States has, through its extensive dealings in exchange, facilities to give accommodations in that respect, which no individual can have. But it is its interest to extend, as far as is safe and practicable, the circulation of its notes ; and one of the best means to effect that object, is to pay every where their notes, wherever issued, whenever that is practicable. The five dollar notes are already

made thus payable ; and, in reality, payment of notes of every denomination, wherever made payable, is rarely refused at any of the offices. The bank may be safely trusted for giving the greatest possible extension to a species of accommodation, which it is its interest to give : but the condition can never be made obligatory, either on that institution, or on any other bank, by whatever name designated, or on whatever principle constituted, without endangering its safety. It is obvious, that no bank which has branches, can have funds at every place sufficient to meet a sudden demand for the payment of a large amount of notes payable elsewhere, which may fortuitously or designedly have accumulated at some one place. Even supposing this to be practicable, the condition imposed must necessarily occasion an additional expense, much greater than the benefit derived from it; and if this was done through the means of a bank founded on the public revenue, it would be a tax laid on the community, for the advantage of a few individuals.

A similar objection has been made with respect to the dealings in domestic exchange of the bank. These consist of two correlative but distinct operations. The bank purchases at Philadelphia, and at every one of its offices, bills of exchange payable at different dates, and on all parts of the United States where there are such offices; and the bank and its offices sell their drafts on each other, payable at sight. The amount of both has been progressively increasing, to the great convenience of the public. That of bills of exchange was 29,335,254, and that of bank drafts 24,384,232 dollars, during the year 1829. In the same year the transfers of public moneys, which are effected by treasury drafts, analogous to bills of exchange at sight, have amounted to 9,066,000 dollars. The three items together make a total of 62,785,486 dollars, transmitted by the bank in one year, through the medium of bills and drafts, which are thus substituted to the transportation of specie to the same amount. The purchase of bills of exchange is an operation similar, as relates to interest, to the discounting of notes. The interest accruing, from the time of purchase or discount to that when they become due, is equally allowed in both cases. Deducting this, the gross profit, on the purchase of bills, arising from the rate of exchange at which they were purchased, amounted in the year 1829 to 227,224 dollars, or less than three-fourths per cent. The premiums on the sale of bank drafts amounted to 42,826 dollars ; but to this must be added the interest accruing on the drafts actually in circulation, and which, estimating, as before stated, the time during which, on an average, they remain so, at fifteen days, amounts to near sixty-one thousand dollars. The profit on those drafts is therefore near one hundred and four thousand dollars, or about three-sevenths per cent. The interest lost by the bank on the

treasury drafts, is from fifteen to twenty thousand dollars; and the charges for transportation of specie, postage, and incidental expenses, amounted, in the year 1829, to 49,847 dollars. The nett profit of the bank, on the aggregate of those transactions, is, therefore, about two hundred and sixty-four thousand dollars, or a fraction more than two-fifths per cent. on the whole amount.

There is not, it is believed, a single country where the community is, in that respect, served with less risk or expense. It is obvious that no one will sell his bills to the bank, unless that institution purchases them at a higher, or at least as high rate as any other person; and that no one will purchase its drafts, unless they are as cheap as any others at market, or are considered safer. There is no other ground of complaint, unless it be that the bank can afford to purchase bills dearer, and to sell its drafts cheaper, than any body else. This is certainly a public benefit; and the only consideration which has been urged with some degree of plausibility, is, that one of the reasons which enables it to obtain a higher price for its drafts, is the greater degree of security which they offer; whilst, at the same time, its peculiar situation would enable it to sell them cheaper than other persons. Without admitting the validity of this observation, or denying that the current rate of exchange ought to regulate the price of those drafts, we would wish that they might be sold at par, whenever it happens that the operation, from the situation of its funds, is in no degree inconvenient to the bank. Government receives its full share of the profits on those operations. As its business is done gratuitously, it not only saves the interest as above stated, but also the premium which it would otherwise have to pay on the sale of its drafts. This, calculated at the same rate as for other bills of exchange, would amount to more than seventy, and together with the interest, to about ninety thousand dollars.

We have also heard complaints made against the purchase of foreign bills by the bank at the south, and the sale of their own bills on Europe at the east. That this may interfere with the business of capitalists who deal in exchange, is true; but the only public consideration seems to be, whether the bank confers a benefit on the southern planters or merchants, by entering into competition for the purchase of their bills, and on the public by offering for sale cheaper or safer means of making remittances abroad. That branch of business, either for the year 1829, or for the average of that and the two preceding years, amounted to 3,580,000 dollars.

The principal advantages derived from the Bank of the United States, which no state bank, and, as it appears to us, no bank established on different principles could afford, are, therefore: First and principally; securing with certainty a uniform, and, as far as paper can, a sound currency: Secondly; the complete

security and great facility it affords to government in its fiscal operations: Thirdly; the great convenience and benefit accruing to the community, from its extensive transactions in domestic bills of exchange and inland drafts. We have not adverted to the aid which may be expected from that institution in time of war, and which should, we think, be confined to two objects.

First. The experience of the last war has sufficiently proved, that an efficient revenue must be provided, before, or immediately after that event takes place. Resort must be had, for that purpose, to a system of internal taxation, not engrafted on taxes previously existing, but which must be at once created. The utmost diligence and skill cannot render such new taxes productive before twelve or eighteen months. The estimated amount must be anticipated; and advances to that extent, including at least the estimated proceeds of one year of all the additional taxes laid during the war, may justly be expected from the Bank of the United States.

Secondly. It will also be expected, that it will powerfully assist in raising the necessary loans, not by taking up, on its own account, any sum beyond what may be entirely convenient and consistent with the safety and primary object of the institution, but by affording facilities to the money lenders. Those, who, in the first instance, subscribe to a public loan, do not intend to keep the whole, but expect to distribute it gradually with a reasonable profit. The greatest inducement, in order to obtain loans on moderate terms, consists in the probability that, if that distribution proceeds slower than had been anticipated, the subscribers will not be compelled, in order to pay their instalments, to sell the stock, and, by glutting the market, to sell it at a loss: and the assistance expected from the bank is to advance, on a deposit of the scrip, after the two first instalments have been paid, such portions of each succeeding payment, as may enable the subscribers to hold the stock a reasonable length of time. As this operation may be renewed annually, on each successive loan, whilst the war continues, the aid afforded in that manner is far more useful than large direct advances to government, which always cripple the resources, and may endanger the safety of the bank.